



GATEWAY CO-OPERATIVE
CREDIT UNION (2017) LTD.

2nd
Annual
General
Meeting

Annual Report 2018

"Opening the Way to Your Financial Success"



VISION

STATEMENT

TO BE THE PREMIER FINANCIAL INSTITUTION, BY EMPOWERING OUR MEMBERS FOR SUCCESS THROUGH INNOVATIVE PRODUCTS AND SERVICES

MISSION

STATEMENT

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



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

Notice of Meeting

That the second (2nd) Annual General Meeting of the Gateway Co-operative Credit Union (2017) Limited will be held at the Bioprist Building, Watson Taylor Drive, Lucea (old Jockey Factory) on **Thursday, July 11, 2019, commencing at 5:00 p.m.** for the purpose of considering and if thought fit, passing the following resolutions:

1. That the Credit Union's Financial Statements for the year ended December 31, 2018 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 Committee and Supervisory Committee.
3. To consider any other business which may properly be transacted at an Annual General Meeting.
4. To seek to amend Article X Rule 46
5. Resolution for Capital Reallocation.

Signed this 10th day of May 2019



Cleveland Parker
Secretary

Agenda

Thursday July 11, 2019

- | | |
|---|-------------------------------|
| 1. Procession of Volunteers | All Volunteers |
| 2. National Anthem | President-Board of Directors |
| 3. Ascertainment of Quorum | Rep. from the Registrar |
| 4. Reading of Notice of Meeting | Secretary-Board of Directors |
| 5. Call to Order | President-Board of Directors |
| 6. Prayer (St. Francis of Assisi) | Rev. Glenroy Clarke |
| 7. Obituaries | Rev. Glenroy Clake |
| 8. Welcome/Acknowledgements/Apologies | Secretary-Board of Directors |
| 9. Chairman's Opening Remarks | President-Board of Directors |
| 10. Minutes of 1 ST Annual General Meeting | Secretary- Board of Directors |
| a. Corrections and Confirmation | |
| b. Matters Arising | |
| 11. Reports | |
| a. Board of Directors | President- Lambert Johnson |
| b. Treasurer's/Financial Reports | Treasurer- Horace Smith |
| c. Auditor's | Rep. from Crowe Horwath |
| d. Credit Committee's | Chairman- Peter Reid |
| e. Supervisory Committee's | Chairman- Keita Mendes |
| f. Nominating Committee's | Chairman- Bryce Grant |
| 12. Resolution for Reserve Account Transfer | |
| Proposal for distribution of surplus | |
| Proposal for fixing of maximum liability | Treasurer |
| (Maximum borrowing limits) | |
| 13. Any Other Business | |
| 14. Vote of Thanks | C.E.O- Ornell Bedasse |
| 15. Adjournment | |
| Serving of refreshments | |

WE SEE OUR MEMBERS AS
FAMILY





WE ARE COMMITTED TO
**SERVICE
EXCELLENCE**

The background features a light blue-grey field with two dark blue diagonal bands crossing from the top-right to the bottom-left. Several triangles are scattered across the design: a large yellow triangle in the top-right, a medium blue triangle to its left, a small blue triangle above it, and another large yellow triangle in the bottom-left corner with a small blue triangle to its left.

1ST GENERAL MEETING

Minutes of the First Annual General Meeting

**GATEWAY CO-OPERATIVE CREDIT UNION
(2017) LIMITED
HELD ON THURSDAY, SEPTEMBER 27, 2018
AT THE NOEL FRASER AUDITORIUM,
WESTERN JAMAICA CONFERENCE CENTRE
MOUNT SALEM, MONTEGO BAY
ST. JAMES**

1. Call to Order

The Inaugural Annual General Meeting of the Gateway Co-operative Credit Union (2017) Limited was called to order at 5:05 p.m. by the President, Mr. Lambert Johnson.

The President invited Mr. Courtney Shaw, Regional Manager, Department of Co-operatives and Friendly Societies, to conduct the requisite verification exercise to ascertain whether a quorum was achieved. Consequent to the verification exercise, Mr. Shaw indicated that in excess of 100 members were present; it was therefore determined that a quorum was present and the meeting was properly constituted.

2. Notice of Meeting

The Secretary, Mr. Rodcliffe Robertson, read the Notice convening the Meeting which was called for the following purposes:

1. To adopt 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;
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 amend Article VII Rules 31 and 32 as well as Article XXII Rule 76.

3. Prayer

Prayer was offered by Reverend (Rev.) Glenroy Clarke. In addition, the Prayer of Saint Francis of Assisi was repeated by all present.

4. Acknowledgements

President Johnson extended a warm Gateway welcome to all those who were present at the First Annual General Meeting. Special welcome was extended to: members, who are the foundation that the institution is built on; representatives from the Department of Co-operatives and Friendly Societies; Directors and members of the Supervisory and Credit Committees; representatives from the Jamaica Co-operative Credit Union League Limited (JCCUL); leaders from other credit unions and organizations; the Auditors, Crowe Horwath; members of staff and invited guests.

The President invited members of the Credit and Supervisory Committee to introduce themselves to the meeting.

Supervisory Committee

Mr. Keita Mendes, Chairman of the Supervisory Committee, introduced himself and the following members of the Supervisory Committee, namely: Miss Andreene Williams; Miss Lorraine Stringer and Miss Angella Morris. The Chairman tendered an apology on behalf of Miss Charlene Soares who was unavoidably absent.

Credit Committee

Mr. Peter Reid introduced himself as the Chairman of the Credit Committee. Thereafter, he introduced the remaining members, inclusive of Mr. Earl Green; Mrs. Marsha McIntyre and Mrs. Vivienne Frankson. The meeting was informed that Mr. Errol Chattoo would be late.

Members of Staff

At the invitation of the President, Mr. Ornell Bedasse, Chief Executive Officer, introduced the members of the Senior Leadership Team at Gateway, inclusive of:

Mrs. Kadian Kerr-
Shaw-Branch Manager, Lucea

Miss Felecia Spence-
Delinquency Manager

Miss Donna Scott-
Human Resource & Facilities Manager

Mr. Keith Miller-
Business Development, Marketing and Sales Manager

Mr. Bedasse indicated that there were other members of staff in attendance; however, they were engaged in other areas of service.

Board of Directors

The President stated that the Directors served with distinction, noting that monthly meetings of the Board of Directors commenced at 6:00 p.m. and often ended at approximately 11:00 p.m., due to the nature of the discussions.

The President introduced the Board of Directors as follows:

Rev. Glenroy Clarke-
Vice President

Mr. Horace Smith-
Treasurer

Mr. Rodcliffe Robertson-
Secretary

Mr. Cleveland Parker-
Assistant Secretary

Mr. Alfred Graham-
Director

Mrs. Synandre Montaque-Dwyer-
Director

Mr. Vincent Rose-
Director

Mr. Bryce Grant-
Director

5. Board of Directors' Report

The Board of Directors' Report was presented by the President.

The President indicated that the purpose of the Report was to provide an overview of Gateway's performance and to show how the Board of Directors and management handled, directed and managed the affairs of the Credit Union. Further, he stated that the name "Gateway" was deliberately chosen, as it was envisioned that the credit union would be the gateway to the members' financial success. The President advised that the Board of Directors, management and members of staff were committed to ensuring that as a member of Gateway your life would be better.

Year in Review (January 2017 – December 2017)

At the end of the 2017, Jamaica's inflation rate was 5.2%; foreign exchange was stable, there was a 1.5% economic growth and the credit union operated in a very competitive environment. However, with the support of the members and the hard work of the management and staff,

Gateway was able to achieve the following:

	JAN.01 2017	DEC.31 2017	GATEWAY'S GROWTH	MOVEMENT GROWTH
SAVINGS	\$4.88B	\$5.54B	13.5%	9.8%
Savings	\$3.28B	\$4.12B	25.6%	12.6%
Loans	\$6.10B	\$7.08B	16.0%	8.8%
Total Assets		\$133.87M	N/A	N/A
Net Surplus				

The President informed the members that Gateway was solid as a rock, as Gateway had \$4.1B in loans and had another \$2B in investment which yielded 3% interest and declining. The President implored members to visit Gateway for loans, as there were available funds.

The meeting was also informed of the strategic plan to grow Gateway, this included:

- the use of technology to deliver the products and services to the members in a very efficient and effective manner, while controlling costs to ensure that the business was conducted in a profitable manner;
- fostering a 'Sales Culture' throughout the credit union, as it was realized that to grow and be sustainable the credit union had to "lend, lend, lend" and the members need to "borrow, borrow, borrow". The President indicated that the members of staff stood ready to assist the members and the Credit Department, in particular, was there to assist with achieving the dreams of the members.

members to conduct business at any credit union across the country;

- Plans have begun to renovate the Sam Sharpe Square Branch and upon completion the banking hall will be much more spacious, generally more comfortable and easier for members to conduct their business;
- In the foreseeable future an e-banking hall will be established at the Sam Sharpe Square Branch and this will allow for a shorter turn-around transaction time.

Human Resource

Gateway has a very dedicated, committed, loyal team that has the requisite skills, training and education to support the organization in its strategic growth plan. The credit union encourages members of staff to develop healthy lifestyles; this was promoted through the provision of various amenities such as exercise programmes, staff enrichment and bonding opportunities. It was also pointed out that members of staff were also supported through scholarships and assistance with their personal development.

Benefits of the Merger

- A Dropbox (to facilitate loan payments, deposits, partner plan payments etc.) was instituted at the Sam Sharpe Square Branch;
- An ATM was installed at the Lucea Branch for members' convenience and benefit - the President commented that members would always have access to their money;
- The Credit Union movement is presently examining an Inter-connectivity feature, which on implementation will allow

Outreach Projects

Gateway, in full recognition of the role it must play within the community and as a successful institution, participated in a number of community activities, including:

- the Railway Gardens Basic School was adopted by the former Montego Co-operative Credit Union Limited (MCCU) in 2004 and Gateway has committed to continued improvement of the infrastructure, to enable the school to deliver quality education to our children;
- there are three scholarships funded by Gateway, namely: Bayley-Hay, Herman Johnson and the Enid Gonzales Scholarship. In addition, bursaries were given to students who achieved academic excellence in the Grade Six Achievement Test;
- the Gateway Schools' Academic Championship Quiz Competition;
- Annual Treat at the Paediatric Ward of the Cornwall Regional Hospital in December;
- Soup 'N' Soap held each year during Credit Union Week for the less fortunate members of society.

The President reminded the membership that Gateway Co-operative Credit Union (2017) Limited was formed consequent to the merger of Montego and Hanover Co-operative Credit Unions. Further, he stated that notwithstanding the challenges faced during the first year, the credit union was a star in the firmament of the credit union movement. Members were also informed of the Board of Directors' commitment to value, treasure and treat each member equally. The President expressed that the merger made Gateway stronger and better. At this point, the President paused to acknowledge the presence of Mr. Daniel Hutchinson, who had moved the motion for the merger of the Hanover and Montego Co-operative Credit Unions at the MCCU's Annual General Meeting (AGM) as well as the presence of Miss Elizabeth Brissett.

Questions/Comments:

Mrs. Ann Rodney Shakes noted that the President, in his report, stated that Gateway was solid as a rock and indicated that she was always encouraging her friends, families and associates to join the credit union. Further, Mrs. Rodney Shakes indicated that she told them that their money was secure at the credit union and questioned whether she was encouraging them in the right direction and if she should stop the practice. The President told her that he would let the membership answer her question and posed the question to the membership. The President asked: "Should she stop?" the chorus response of the membership was "No". Further, the President asked: "Should she continue?" The emphatic response of the members was "Yes".

Mr. Daniel Hutchinson asked when the renovations at the Sam Sharpe Square Branch would commence. In response, the President indicated that the plans were drawn, submitted, and awaited approval of the St. James Municipal Corporation. In addition, the meeting was informed that funds were identified, renovations would commence as soon as the funds were approved and that the latest that the project was expected to commence was January 2019. Mr. Hutchinson said that he felt a little better, as when he visited the location it was worse than a bee hive and the members were not comfortable in the present condition. The President reminded Mr. Hutchinson that Gateway was implementing measures that would reduce the number of persons visiting the banking hall, inclusive of developing an online platform so that members could access their account and conduct business online.

Dr. Maureen Johnson stated that the market was shifting from the physical space and Gateway had a large number of members who did transactions from their desk and their mobile phones. Dr. Johnson mentioned that the President indicated that e-banking would be implemented and enquired of the expected date of implementation. It was also pointed out that Gateway may be losing business due to the slow pace at improving our offerings. The President indicated that the CEO gave an undertaking that it would be implemented by the first quarter of 2019.

and if that timeline was not met, it was expected that it would be certainly done by the next AGM. Dr. Johnson also asked about the possibility of GCCU establishing a presence at Fairview. The President informed the meeting that the matter of relocating to Fairview was discussed at length and it was determined that it be approached strategically. This position was adopted as Gateway would not want to rent or purchase a property at the location, without ensuring that with the pending Bank of Jamaica regulation and oversight as well as the implementation of the IFRS 9 Accounting Standard, our ratios are not compromised. In this regard, the President stressed that care has to be exercised regarding how projects are undertaken, in order to ensure that Gateway is not placed in an adverse position with our regulators. Further, the President indicated that at the very least, Gateway was considering having a presence at Fairview, as it was realized that the 'town' was shifting to that area. Dr. Johnson stated that although the credit union was being strategic, she was hoping for a quick decision.

Miss Dorrette Russell, former member of the Supervisory Committee, MCCU, mentioned the limited space at the credit union, as it was often overcrowded and persons (including senior citizens) had to stand for a long time before being served. Miss Russell also took the opportunity to commend the management of Gateway for the services rendered.

The President extended a special welcome to Mr. Clinton Pickering. Mr. Pickering also raised the issue of the overcrowding of the banking hall at the Sam Sharpe Square Branch. Further, he indicated that he felt very passionate about the subject and had attended the meeting with it foremost in his mind. Mr. Pickering intimated that the expansion of the operations of the credit union to Church Street was to alleviate the overcrowding at the Sam Sharpe Square Branch and that it was the general concern of members why they were now being sent back to the Sam Sharpe Square Branch. Mr. Pickering acknowledged that the credit union has been making efforts to reduce the time spent by members inside the banking hall; however, it seems as if the members were spending hours in the credit union lines. Mr. Pickering enquired of the plans of the Board and management to

ensure that the members were not 'herded like cattle' in the banking hall, stating that the previous motto "serving you is what we do best" was still applicable but he felt that it was not so as this point in time. In response, the President indicated that this was a subject that the Board had grappled with for a long time; hence the commitment to renovating the Sam Sharpe Square Branch. The meeting was informed that to increase the space at the location, a mezzanine floor will be erected. Further, he reminded the meeting of the Drop Box and the proposed on-line banking facility as other strategies being implemented to address the issue.

In addition, it was highlighted that Gateway was usually crowded during the last week of the month. Accordingly, it was suggested that where the business could be accommodated in the following week, efforts should be made to do so. Mr. Pickering stated that the suggestion of putting in a mezzanine floor at the Sam Sharpe Square Branch was previously discussed; however, it was not considered to be feasible and the Drop Box was implemented at the Church Street location but was later discontinued. Further, Mr. Pickering pointed out that the problem was not only with the banking hall but also the availability of parking space; accordingly, Gateway should consider expanding beyond Sam Sharpe Square so that members are not inconvenienced. The President informed the member that his concerns were noted and efforts would be made to have them dealt with, as the circumstances permit.

Miss Elizabeth Brissett indicated that many members from the Lucea Branch did not receive any tokens at the Customer Appreciation Day. The President informed her that there would be no recurrence, as efforts would be made to ensure that the members in Lucea were adequately served and kept happy.

Miss Brissett complained of an issue at the Lucea Branch regarding her attempt to open an account for her new grandchild, as she was not in possession of the original Birth Certificate. Miss Brissett indicated that she opened accounts for all her grandchildren and on this occasion produced a copy of the Birth Certificate from the school where the child was registered; however, she was told that the copy document (which

was used to register the child at school) was not acceptable and it took her a long time to get the account opened. The President referred the matter to Mrs. Kadian Kerr-Shaw, Branch Manager, for her dealing.

Miss S. Miller indicated that she was not aware of the date that Customer Appreciation Day is celebrated and commented that members only knew of the event on the day they went to the credit union to transact business. Miss Miller was informed that Customer Appreciation Day is celebrated during Credit Union Week, that is, the second week of October in each year.

Miss Brissett indicated that at the last meeting, members were told that dividends would be added to their account; however, she saw no evidence of this on her account. The President indicated that if this was the case, it would be a great oversight and suggested that the member visits the credit union to have the matter regularised.

Acknowledgments

The President thanked the members and guests for their participation in the Board of Directors' Report. The following were acknowledged for their contribution to Gateway over the year:

1. Loyal and faithful members;
2. The management and staff;
3. The Board, Supervisory and Credit Committee members;
4. The Co-operative network, especially the Jamaica Co-operative Credit Union League Limited, the presence of Mr. Robert Levy, Group CEO, was acknowledged; the Department of Co-operatives and 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. GCCU's Auditors, Crowe Horwath, Mr. Dawkins Brown, Managing Partner, was specifically acknowledged;
6. GCCU's Attorneys, Robinson Foster and Associates, and Albert Morgan and Company.

The Board of Directors' Report was accepted on a motion of Mr. Daniel Hutchinson and seconded by Miss Elizabeth Brissett. All were in favour.

Suspension of the Standing Order

A motion for the Suspension of the Standing Order, to facilitate the discussion on the proposed changes to Article VII Rules 31 and 32 as well as Article XXII Rule 76, was advanced by Mr. Daniel Hutchinson and seconded by Miss Dorrette Russell.

The President explained the basis for the required change, stating that in reviewing the Report submitted by the Nominating Committee a few anomalies were identified which required a change in the rules to bring Gateway in conformity with what obtained in the movement in order to ensure good governance. The President indicated that the Report had two (2) and three (3) year term limits for Directors at the first AGM as opposed to one (1), two (2) and three (3) year periods. Accordingly, the Rules required an amendment.

The present Rules and the proposed amendments to the Rules were projected on the screen; however, Mr. Clinton Pickering pointed out that it was difficult to read and same was read by the President.

Rule Amendments

Gateway Co-operative Credit Union (2017) Limited

Whereas the current Rules of the Gateway Co-operative Credit Union (2017) Limited were framed at inception on January 1, 2017;

And whereas there is a need to determine the manner in which a bare majority of the members of the Board of Directors shall expire at an Annual General Meeting;

And whereas there is a need to determine the term of office for each member of the Board of Directors;

And whereas there is a need to determine the majority of members present at any Annual

or Special General Meetings concerning Amendments to the Society's Rules;
Be it Resolved that the following Rules of the Gateway Co-operative Credit Union (2017) Limited be amended as outlined hereinafter: -

Present Rule Article VII Rule 31

I. Election of the Board of Directors shall be held in such a manner that the term of office of not
More than a bare majority of the members shall expire at the same Annual General Meeting.

Amended Article VII Rule 31

II. Election of the Board of Directors shall be held in such a manner that the terms of office of one-third of the Directors or, if their number is not a multiple of three, then the number nearest one-third, shall retire from the office at the same Annual General Meeting.

Present Rule Article VII Rule 32

I. At the first Annual General Meeting, a bare majority of the members constituting the Board of Directors shall be elected for a term of three (3) years and the others for a term of two (2) years. Whenever the number of the members of the Board of Directors is increased, one-half of such additional members shall be elected for three (3) years and one-half for two (2) years. Thereafter the term of office for members shall be three years.

Amended Article VII Rule 32

II. At the first Annual General Meeting, one third of the members constituting the Board of Directors shall be elected for a term of three (3) years, one-third for two (2) years and one-third for a term of one (1) year. Whenever the number of the members of the Board of Directors is increased, one-half of such additional members shall be elected for three (3) years and one-half for two (2) years. Thereafter the term of office for members shall be three years.

Present Rule Article XXII Rule 76

I. "These Rules may be amended by a resolution of the members at the Annual General Meeting or Special General Meeting called for the purpose by three-fourths vote of those present and entitled to vote; provided a copy of the proposed amendment together with a written

notice of the meeting shall have been sent to each member or handed to him in person at least seven (7) days before the said meeting. No amendment shall become operative until it has been approved by the Registrar in accordance with the Act."

Amended Article XXII Rule 76

II. "These Rules may be amended by a resolution of the members at any Annual General Meeting or Special General Meeting called for the purpose by a majority of not less than three-fourths of the members present at the general meeting at which the resolution was proposed; provided a copy of the proposed amendment together with a written notice of the meeting shall have been sent to each member or handed to him in person at least seven (7) days before the said meeting. No amendment shall become operative until it has been approved by the Registrar in accordance with the Act."

There being no disagreement to the proposed amendments to the Rules, the motion for Article VII Rules 31 and 32 as well as Article XXII Rule 76 to be amended was advanced by Mr. Clinton Pickering and seconded by Mr. Daniel Hutchinson. A vote was taken and 156 members voted in favour of the amendments, there were none against and one (1) abstention. There were 170 members present at the time of the vote. The votes were counted by Mr. Courtney Shaw, Miss Facey and Mr. Dawkins Brown. The amendments were passed.

Resumption of the Standing Order

The Standing Order was resumed on a motion by Mr. Basil McFarlane and this was seconded by Mr. Daniel Hutchinson.

6. Treasurer and Auditor's Report

Mr. Horace Smith, Treasurer, greeted the meeting and invited Mr. Dawkins Brown, Managing Partner of Crowe Horwath to present the Auditor's Report.

The Auditor's Report dated May 21, 2018 was read by Mr. Dawkins Brown; this Report recited that it was the belief of the Auditors that the financial statements gave a true and fair view of the financial position of Gateway and of its financial performance, changes in equity and cash flows as at December 31, 2017, in accordance with International Financial Reporting Standards (IFRS).

It was also pointed out that upon examining the records (which were obtained from management), it was felt that proper accounting records had been maintained and the financial statements reflected the necessary information required by the Co-operative Societies Act.

Mr. Smith thanked Mr. Brown for presenting the Auditor's Report.

The Treasurer's presentation highlighted that Gateway performed tremendously well during its first year of operation and ended the year with a Net Surplus of \$133.87M. Further, that Total Assets grew by 16% and Net Loans grew by an impressive 25.6% or \$841M for the year under review.

- Shares increased from \$2.083B to \$2.450B, a growth of 17.5%;
- Deposits increased from \$2.084B to \$3.092B, a growth of 10.3%;
- Loans recorded the highest percentage growth (25.6% increase) of all the performance indicators. The percentage increase amounted to \$841M in net loan growth. The loan disbursements for the period exceeded \$2.4B;
- Total Assets grew by 16.0% or \$977M and ended the year at \$7.077M, representing real growth for the organization;
- Net Surplus for 2017 was approximately \$136M when compared to \$85M combined surplus for 2016, representing an increase of 60.0%;
- Operating Expenses for the year under review was \$488M when compared to \$421.9M for the combined entities in 2016. The Treasurer indicated that included in that figure was a one-off merger cost of \$41.7M and expenses associated with the engagement of new staff;
- Gross Income for 2017 was \$624.4M, of which \$603M represented interest income. It was pointed out that the combined interest income for 2016 was \$506.5M, on comparison with 2017, a 23.2% increase was realized.

The table below outlines the financial performance of Gateway for 2017:

Financials

The financials were presented with graphs depicting their movement during the period under review.

	2016 (\$M)	2017 (\$M)	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
DEPOSIT 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
MEMBER'S EQUITY	919	1,272	38.4
INSTITUTIONAL CAPITAL	557.5	814.4	46.0

INDICATOR	STANDARD	2016 (%)	2017 (%)	REMARKS (%)
PROTECTION PROVISION FOR LOAN LOSSES				
Provision Loan Losses/ Delinquency > 12 Months	100%	100	100	Ratio Met
Provision Loan Losses/ Delinquency 6 < 12 Months	60%	60	60	Ratio Met
Provision Loan Losses/ Delinquency 3 < 6 Months	30%	30	30	Ratio Met
Provision Loan Losses/ Delinquency 2 < 3 Months	10%	10	10	Ratio Met
EFFECTIVE FINANCIAL STRUCTURE				
Net Loans/ Total Assets	60-80%	53.7	58.2	Ratio was a little below but was moving in the right direction
Savings Deposit/ Total Assets	70-80%	80.1	78.3	Ratio Met
Net Institutional capital/ Total Assets	> / = 8%	10.8	13.2	Above Standard
ASSET QUALITY				
Delinquency Loans/ Gross Loan Portfolio	< / = 5%	4	3.8	Ratio Met
Non-Earning Assets/ Total Assets	< / = 7%	8.5	11.6	Ratio Met
RATES OF RETURN & COSTS				
Total Operating Expenses/ Average Total Assets	< / = 8%	6.9	6.7	Ratio Met
Net Income/ Average Total Assets	> / = 2.3%	1.3	2.6	Ratio Met
LIQUIDITY				
Liquid Assets-Payables / Total Deposit Savings	20-30%	27.6	18.3	A little below the standard
SIGNS OF GROWTH				
Membership	> / = 5.0%	5.0	3.5	There was a lot more room for growth
Asset	> Inflation	14.8	16.0	

Acknowledgements

The Treasurer thanked his fellow Directors for the support and the confidence they placed in him. In addition, the Treasurer acknowledged the External Auditors, JCCUL and affiliates, the Registrar among others. Finally, the members were heartily thanked for their support through the year.

Questions/Comments

Dr. Maureen Johnson noted that the Non-Earning Assets/ Total Assets ratio had gone above the ratio and asked that the Treasurer expound on the reasons for that and the measures to be implemented to align this with the standards. The Treasurer indicated that one of the main reasons was the inclusion of the fair value valuation on one of the properties owned by the credit union and the Church Street location was no longer an earning asset. The Treasurer stated that efforts were being made to reduce the ratio.

Dr. Johnson also mentioned the Liquid Asset –

Payables/ Total Deposit Savings and asked for an explanation. The Treasurer asked Mr. Bedasse to respond to the member. In his response, Mr. Bedasse explained that the credit union had been a little behind on the ratio at the period of report but has since surpassed the standard.

Miss Marcia Housen asked if the properties would be carried at fair value going forward and was told that the standard required that it be treated in that manner.

Mr. Irwin Hamil mentioned the surplus of approximately \$133M and indicated that if adjustments, for instance, the movement in provisioning were to be made by him, then this would only be paper movement. Further, Mr. Hamil expressed that the entity would have been in a worse off position if he were to look at them combined and indicated that the merger had not created a lot of synergy for the credit union's members. Also, he pointed to the credit union's cash flow and stated that in operational terms, the credit union had a negative cash flow of \$127M, stating that cash was what made a business run and profits were subjected to a lot of accounting jargons which, in essence, was just

paper based for the most part, rather than actual things as it related to cash. Mr Hamil asked that an explanation be given to the members. The President disagreed with Mr. Hamil's observation and stated that the information presented had been reviewed by the Auditors and the Registrar. However, Mr. Hamil maintained his stance and stated that the \$52M was only on paper and not actual cash. The President noted the remarks made by Mr. Hamil and informed him that the credit union stood by the figures which were represented in the Financial Statements.

Miss Marcia Housen offered support to Mr. Hamil and stated that his remarks were in fact true whether it was accepted or not. Miss Housen asked for an explanation on how the figure for Net Movement in Provision for Loan Impairment had been derived. Mr. Dawkins Brown, Managing Partner of Crowe Horwath, was asked to respond. Mr. Brown responded to Mr. Hamil's comments as under:

1. There had been a lot of changes made in terms of provision for loan losses and this became effective the 1st of January, 2018. Mr. Brown explained that when a member took a loan and ran into difficulty and owed the credit union more than was borrowed, under the Standard, the credit union is required to make a provision and write-off the amount as a loss, whilst making every effort to collect. In the event that the amount is cleared by the member, this becomes recovered income and the Standard requires a presentation. Mr. Brown implored the members not to get confused in the consideration of whether it was a paper recording, as everything has to be recorded;
2. With regard to the issue that the merger had not created a lot of synergy for the members, Mr. Brown drew the attention of the meeting to page 32 of the AGM Report where he outlined line item Liquid Assets which reflected \$1,155,659,765 at the end of 2016 and \$1,254,696,602 for the year 2017. He said that the figures spoke to the synergy of the credit union;
3. Mr. Brown further explained that the term "impairment" replaced the term "loan loss", as required by the IFRS 9 Standard and pointed to his comments previously made (Bullet 1) and stated that other

calculations were factored into the figure represented.

Mr. Brown closed by informing the members that, as the Auditor, he stands by the figures that were presented in his Report.

Mr. Robert Levy, Group CEO, JCCUL greeted the meeting and introduced himself. Mr. Levy expressed that he enjoyed the questions posed by the members and appreciated the response that the Auditor gave to some of the questions. Further, he stated that he agreed with Mr. Brown and reiterated that everything had to be recorded on paper and that every transaction was a paper transaction, especially as it relates to a financial institution. In addition, Mr. Levy qualified his response by pointing out that although he could not speak on line items, it was apparent on his examination of the delinquency record, that the credit union had recovered some of the money that provision had been made for in previous years. Mr. Levy commented that this resulted from hard work. Further, Mr. Levy outlined that the figures were a part of legitimate income, which was good for the credit union and the same was to be said of rentals, fees and other income. Mr. Levy further asserted that there was no financial institution that could operate without charging fees and earning other incomes aside from loans, noting that this would be impossible in today's economy. The point was reinforced by noting that this was not only applicable to Gateway but equally applicable to all credit unions, building societies and other financial institutions. Mr. Levy concluded by stating that the line items outlined in the Financial Statements were real and were a part of the operations and were not peculiar to Gateway.

Miss Keisha Daye suggested that a resolution be passed to increase the permanent shares from \$2,000.00 per member. The Treasurer pointed out that if that was done, there was a possibility that some persons could not become members of the credit union, as having permanent shares of \$2,000.00 was a requirement to be a member and informed her that she could increase the voluntary shares. Miss Daye was thanked for her suggestion and informed that the matter would be considered.

Mr. Paul Cargil enquired whether the credit union

offered refinancing for persons who had taken loans for construction purposes and because of inflation the building was not completed. The President informed him that there were policies that guided the loan process and that the credit union strives to ensure that the members receive loans that would be beneficial to them. Further, the President indicated that if the member was affected by misfortune, the credit union would go as far as it could with assisting the member to recover. The President also pointed out that in respect of refinancing, the credit union had to be careful and applied a number of factors in considering whether to approve such a request. It was also stated that even though the credit union was there to lend, it had to do so responsibly as it had to answer to its membership.

Mr. Paul Mullings referred to Note 17 on page 75 labelled 'Borrowings', specific to the External Loan – JCCUL Mortgage Loan. The President advised that the funds had been used to build the branch in Lucea, which was one of the most beautiful branches to be found in Jamaica, and pointed out that it was a very wise decision taken by the former HCCU and was not affecting the credit union negatively.

The Treasurer's Report and the Auditor's Report were accepted on a motion advanced by Mr. Basil McFarlane and seconded by Mr. Richard Stephenson. All were in favour.

Suspension of the Standing Order

A motion for the Suspension of the Standing Order, to facilitate the presentation of the proposal for the Distribution of Surplus and the Fixing of Maximum Liability, was initiated by Mr. Clinton Pickering and seconded by Mr. Daniel Hutchinson.

Proposal for the Distribution of Surplus

The Treasurer informed the meeting that the amount available for distribution was \$84,125,129.00 and was proposed to be distributed as follows:

Dividend on Permanent Shares 13%	10,936,267.00
Honoraria (3%)	2,523,754.00
Infrastructure Development Reserve	70,665,108.00
Total Distribution	<u>\$84,125,129.00</u>

The proposed Distribution of Surplus was approved on a motion advanced by the Treasurer and seconded by Mrs. Autherine Dehaney-Archer.

Proposal for the Fixing of Maximum Liability

The Treasurer read the Proposal for the Fixing of Maximum Liability. It was proposed that the maximum liability should not exceed a ratio of sixteen (16) times the credit union's capital, in accordance with Rule 68.

The proposal for the fixing of maximum liability was adopted on a motion advanced by the Treasurer and seconded by Miss Venice Gordon. All were in favour.

Resumption of the Standing Order

The Standing Order was resumed by the President.

7. Supervisory Committee's Report

The Supervisory Committee's Report was read by Mr. Keita Mendes, Chairman.

The meeting was informed that he was appointed as Chairman of the Supervisory Committee, on the resignation of Mr. Dwayne Butt and proceeded to highlight the role and responsibilities of the Supervisory Committee, as follows:

- authorising 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.

The Committee's areas of focus during the period under review were listed as follows:

- 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 (TTRs), Suspicious Transaction Reports (STRs) and 'Listed Entity Reports' (LERs);
- reviewing the minutes of the meetings of the Board of Directors;
- reviewing dormant accounts;
- conducting random cash counts;
- verifying closed/deceased members' accounts among other matters.

Mr. Mendes reported that Gateway was fully compliant with all the statutory requirements, in accordance with the applicable laws of Jamaica and that the credit union was also compliant with regard to the general operating procedures.

The Committee made recommendations as necessary and ensured that the members of staff were aware of the policies that governed the credit union.

Challenges:

- The Credit Union was without an Internal Auditor for a period of time; management engaged a suitable candidate to fill the position.

Mr. Mendes stated that the Committee was satisfied with the overall management of Gateway during its first full year of operation and on behalf of the Committee, acknowledged the Board, Leadership Team and the Administrative Staff for their support and work.

The Chairman assured all stakeholders that their financial assets were safe and secure when they conducted business with Gateway Co-operative Credit Union (2017) Limited.

The Supervisory Committee's Report was adopted on the motion of Mr. Donald Douglas and this was seconded by Mrs. Lorna Rampasard. All were in favour.

Welcome

The President acknowledged the presence of the following persons who arrived late:

- Mrs. Bethune Lugg-Banton and Mr. Carlton Bartley from QNET;
- Mr. Zemmar Bennett, JCCUL;
- Mr. Robin Levy, Group CEO of JCCUL;
- Mr. Wayne Hunter, NCB, Gateway's Banker;
- Representatives from the Media: IRIE FM, The Western Mirror and TVJ.

8. Credit Committee's Report

The Credit Committee's Report was presented by the Chairman, Mr. Peter Reid. The Report was taken as read on a motion advanced by Mrs. Lorna Rampasard and seconded by Miss Amory Henry.

Mr. Reid informed the meeting that the Credit Committee's Report was detailed on pages 92 – 96 of the Annual Report, 2017.

The following represents highlights from the Credit Committee's Report.

Consequent to the merger, a number of changes were implemented, inclusive of:

- a one percent (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 four percent (4%) reduction in interest rate;
- increase of the unsecured loan ceiling from \$500,000.00 to \$800,000.00;

- Quarterly Loan Specials.

The Credit Committee's mandate includes:

1. Processing and approving all loan applications, in keeping with Gateway's policies and procedures;
2. Reviewing, amending and implementing loan policies, as approved by the Board of Directors;
3. Auditing loans processed and approved by the In-house Credit Committee.

Breakdown of loans issued during the year are as follows:

LOAN PURPOSE	NUMBER	VALUE
CASH SECURED (INTERNAL)	4,311	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)	1,182	396,034,859.42
TOTAL	6,155	2,457,938,419.94

Mr. Reid implored members to borrow and to encourage their neighbours, friends and families to join the credit union and borrow as well.

There being no matters for discussion, the Credit Committee's Report was adopted on a motion advanced by Miss Dorrette Russell and seconded by Mrs. Autherine Dulaney-Archer.

9. Nominating Committee's Report

The Nominating Committee's Report, contained in pages 101 – 102 of the Annual Report, 2017, was presented by the Chairman, Mr. Basil McFarlane.

Mr. McFarlane indicated that the Nominating Committee consisted of three (3) members, noting that the additional members are Mrs. Lorna Rampasard and Mr. Daniel Hutchinson. The members of the Committee met on seven (7) occasions to discuss the vacancies and conducted interviews to fill the positions on

each Committee. The process was guided by the selection criteria and all nominees agreed to serve in the designated positions.

The Secretary of the Board, Mr. Rodcliffe Robertson, pointed out amendments to be made to names that were spelt incorrectly:

*Radcliffe Robertson to be changed to **Rodcliffe Robertson**;*

*Bruce Grant to be changed to **Bryce Grant**;*

*Keith Mendes to be changed to **Keita Mendes**.*

Mr. McFarlane invited Mr. Courtney Shaw, Regional Manager, Department of Co-operatives and Friendly Societies, to conduct the elections. Mr. Shaw stated that he would use the Registrar's privilege to determine the term of office for the Board of Directors.

Board of Directors

Mr. Shaw invited all Directors, who were recommended by the Nominating Committee, to stand. Mr. Shaw informed the meeting that it would be a democratic process, in light of the amendment to the Rules regarding term limits. Mr. Shaw explained the process, stating that he had nine (9) numbers in a box which represented three 3- year terms, three 2- year terms and three 1- year term and that each Director's name would be called and a member from the audience would pick a number from the box. Further, that the number picked by the member represents the number of years that the Director would serve on the Board before being required to retire.

The following are the results after the selection of the Board of Directors and members of

the Supervisory and Credit Committees was completed.

Directors *Approved Year (s)*

Mr. Lambert Johnson	2
Mr. Cleveland Parker	3
Mr. Horace Smith	3
Mrs. Synandre Montaque-Dwyer	1
Mr. Vincent Rose	1
Mr. Rodcliffe Robertson	3
Mr. Alfred Graham	1
Mr. Glenroy Clarke	2
Mr. Bryce Grant	2

Supervisory Committee

Miss Charlene Soares	1
Miss Angella Morris	1
Mrs. Autherine Dehaney-Archer	1
Mr. Keita Mendes	1
Miss Loraine Stringer	1

Credit Committee

Mr. Peter Reid	2
Mr. Errol Chattoo	1
Mrs. Vivienne Frankson	2
Miss Andreene Williams	1
Mr. Earl Green	2

The nominees were duly appointed on a motion advanced by Miss Venice Gordon and this was seconded by Miss Ruth-Ann Parker. All were in favour.

Mr. Shaw advised that the elected Board and Committee Members should have a meeting within ten (10) days to elect the respective officers and forward the necessary information to the Department of Co-operatives and Friendly Societies, the Jamaica Co-operative Credit Union League Limited and all stakeholders.

10. Any Other Business

Mr. Pickering reminded the meeting of his earlier point about the overcrowding at the Sam Sharpe Square Branch and advised that he subsequently learnt that the upper floor of the Church Street location was vacant. Mr. Pickering

was advised that the upper floor of the Church Street location housed the management team of Gateway. Mr. Pickering indicated that he was minded to suggest that as well as the expansion of the banking hall at the Sam Sharpe Square Branch. Mr. Pickering was also advised that the plans for that were already in place.

Miss Maureen Johnson noted that offering loans was the heart of the credit union's business and robustly recommended that the loan portfolio be expanded by an increase in mortgage loans, resulting from a collaboration of efforts with the National Housing Trust and other such organizations as well as the issuance of long-term loans. The Credit Manager was asked to take note of the recommendations.


11. Adjournment

The President expressed that it was a wonderful evening, as it was a historic first AGM and thanked the members and guests for attending.

There being no other matter for discussion, the meeting was adjourned at 8:02 p.m. on a motion advanced by Mr. Clinton Pickering and seconded by Mr. Daniel Hutchinson.



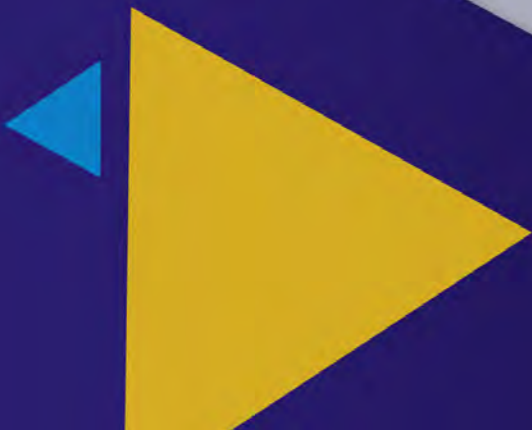
Lambert Johnson (Mr.)
President



Rodcliffe Robertson (Mr.)
Secretary



OUR DIRECTORS





Alfred George Graham- *Ass. Treasurer*
 Cleveland Parker- *Secretary*
 Rev. Glenroy Clarke Jr.- *Vice President*
 Synandre Montaque-Dwyer- *Ass. Secretary*
 Lambert Johnson - *President*
 Vincent Rose- *Director*
 Horace Smith- *Treasurer*
 Bryce Grant- *Director*
 Rodcliffe Aston Robertson (*missing*)- *Director*

Board of Directors Profile



Mr. Lambert Johnson – Attorney-at-law

Mr. Johnson is an Attorney-at-Law and the founder of Johnson & Company Attorneys-at-Law. He holds a Bachelors of Law Degree (Hons) and a Certificate in Legal Education. He is certified as a Real Estate Salesman /Dealer by the University of Technology.

His professional experiences range 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 is an expert in Commercial Law, Company Formation, Family Law, Conveyancing, Succession Planning, Criminal Law and Legal Opinion Writing. He was a former Director of the Montego Co-operative Credit Union Limited, Board Member of the Godfrey Stewart High School and presently serves as the President of Gateway Co-operative Credit Union (2017) Limited.

Mr. Johnson is a member of the Toastmasters International. He was recently appointed President of the Cornwall Bar Association.



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

His core competences encompass 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. 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 has special skills and working knowledge of accounting packages to the extent of preparing final accounts.

He presently holds a Bachelor of Science in Accounting from the University of the West Indies and a Diploma in Teaching from Mico Teachers College in Mathematics and General Science. He is also a member of the Shortwood Baptist Church where he serves as a Deacon, Treasurer and Choir Director.

Mr. Smith serves on the Gateway Board as the Treasurer.



Mr. Alfred George Graham - JP

Mr. Alfred Graham is a Justice of the Peace and hails from the parish of Hanover. He holds a Master in Business Administration from the University of South Wales, a Bachelor's Degree with Honors in Accounting and Finance, ACCA Certification (Advance Diploma Accounting & Business), certified by the University of Technology (UTECH) in Business and Corporate Planning and further acquired training at the Institute of Management & Production in Information Technology and Application Packages.

He worked in the Public and Private sectors in various positions spanning from Financial Controller, Senior Accountant and subsequently Secretary Manager (CEO), the position he held before his retirement from public service in 2016. He is affiliated with various groups such as the Rotary Club of Lucea, Hanover Police Civic Committee, UDC Negril Advisory Committee, the former Hanover Co-operative Credit Union Ltd, Green Island High School Board and Gateway Co-operative Credit Union Ltd.



Mr. Cleveland Parker - JP

Cleveland Oliver Parker is an avid, persistent and committed individual, committed to serve. Over the ten years he has been engaged at the Consumer Affairs Commission (CAC), an agency of the Ministry of Industry, Investment & Commerce. His core function is to assist aggrieved consumers with their marketplace disputes and advise them of 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 marketing 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 relationship 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 impacting the lives of others is high among the greatest contributions anyone can make to humanity.

During his stint working at the Consumer Affairs Commission which stated 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 appointed the Returning Officer for the St. James,

East Central Constituency. There his duties and responsibilities included overseeing the running and operation of the constituency office, held 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 the Credit Union Movement started many years ago when he was nominated to serve on the Credit Committee 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.



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 at the University of Technology, a Bachelor of Science in Computing and Information Technology (Hons) 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.



Mr. Rodcliffe Aston Robertson **CHRE, CHT, ACI**

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 served as Director, Assistant Treasurer and President of the former Hanover Co- Op Credit Union Ltd. His services to the movement then took a national turn where he served to the Jamaica Co-op Credit Union League and its subsidiaries as follows:

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

His service to Hanover Co-op continued into the merge 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 a Training Consultant to the Bank of St. Vincent and the Grenadines (Formerly NCB SVG). His training and conference presentation extended to countries such as Cuba, The Bahamas, Barbados, USA, Turks and Cacaos, Mexico and Dominican Republic.

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

Chairman – Board of Management of Godfrey Steward High School
Vice Chairman – Board of Management of Montego Bay Community College
Chairman – Business Advisory Board, School of Hospitality and Tourism MBCC

Robertson is a 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 father of three (3) daughters and a son.



Mr. Bryce Grant

Mr. Grant is presently employed to the St. James Municipal Corporation as Superintendent in charge of Roads & Works. He held a number of positions in the then, Hanover Parish Council namely: Building Officer & Deputy Superintendent.

Mr. Grant holds a Bachelor's of Science Degree in Construction Engineering and Management from the University of Technology (UTECH) with further qualification in Construction Management, Architectural Technology, Integrated Coastal Zone Planning & Management, Environment and Sustainable Development and Civil Works.

His affiliations span from Board Member at the Lucea Seventh Day Adventist Church, Member of JFF Disciplinary Committee, Director of Gabe Designers & Contractors Ltd, Director of Hanover Pre & Preparatory School, Board of Governance Rusea's High School, the former Hanover Co-operative Credit Union Ltd and Director of Gateway Co-operative Credit Union Ltd.



Mr. Vincent Rose

Mr. Rose started his professional career as a Senior Accountant both in the public and private sectors and has also contributed to Nonprofit Organizations in various accounting positions varying from Accountant to Financial Controller. He lectured at various institutions in the field of Accounting and Business.

He served as a volunteer member and chairman on various boards including the former Montego Co-operative, he now serves as a Director on the Board of Gateway Co-operative Credit Union (2017) Ltd.

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

WE ACTIVELY ENGAGE IN

COMMUNITY DEVELOPMENT





WE ARE COMMITTED TO THE
**SOCIAL & ECONOMIC
DEVELOPMENT**
OF OUR MEMBERS

The background features a light blue-grey field with two dark blue diagonal bands crossing from the bottom-left to the top-right. In the top-right corner, there is a cluster of three triangles: a large yellow one and two smaller light blue ones. In the bottom-left corner, there is another cluster with a large yellow triangle and a small light blue triangle.

REPORTS, RESOLUTIONS & PROPOSALS

Report of the Board of Directors

For Year Ended December 31, 2018



Lambert Johnson - President

General Overview

On the occasion of our 2nd Annual General Meeting of the Gateway Co-operative Credit Union (2017) Limited, I, on behalf of the Board of Directors hereby present to you another outstanding performance of your Credit Union for the fiscal year ended December 2018.

Your Board of Directors continued to remain vigilant and cognizant of its fiduciary responsibilities in ensuring the strategic direction of the Credit Union through a number of ways, to include but not limited to, the development of policies and procedures and proper governance – all in an effort to serve you, our members and most important stakeholders. We appreciate the trust and loyalty you placed in us especially during the merger transition; an act that was rewarded with the provision of attractive and competitive offerings to help you realize your financial goals. As our tagline boasts- we will continue to seek new and improved ways to "open the way to your financial success."

I would like to draw attention to the environment in which we operated during the financial year. 2018 was riddled with a number of positive growth- approximately five years ago, Jamaica launched an ambitious reform program to stabilize the economy, reduce debt, and fuel growth, gaining national and international support. Public debt fell below 100 percent of GDP in 2018.

The employment rate in October 2018 was 8.7 percent (the lowest in the history of Jamaica); a reduction of 1.8 percentage points relative to 10.5 percent in October 2017, and almost half the rate at the start of the reform program. The Jamaican economy grew by 2.0 percent in the fourth quarter of 2018, bolstered by growth in agriculture, manufacturing, construction, mining, and quarrying activities. Inflation was reduced to 2.4 percent compared to 5.2 percent in 2017; real GDP experienced a growth of 1.8%. Treasury Bill 180 days rate was approximately 2.1% compared to 4.6% at the end of 2017. Preliminary estimates for the calendar year 2018 showed a 1.9 per cent growth in the Jamaican economy which was also characterized by an increase in business and consumer confidence.

Amidst those positive indicators, the western region of the island showed signs less favourable than that on the national level. Crime and violence remained high resulting in two episodes of a State of Emergency which negatively impacted a number of our members and by extension various business opportunities.

Having completed two years of operation- post merger and simultaneously snowballing into the "mega credit union" status; Gateway continued to assume additional responsibilities in order to align its operations to concurrently meet our members' needs and manage our expenses in order to remain viable.

Repositioning

Being proactive, your Board of Directors envisaged a number of changes that would become necessary in order to meet the new IFRS 9 accounting standards (relating to additional provisioning). Given the IFRS 9 requirements in terms of classification, measurement, and impairment calculation and reporting, the credit union would be required to make some changes to the way we do business, allocate capital, and manage the quality of loans and provisions at origination. We faced modeling, data, reporting, and infrastructure challenges in terms of both reassessing the granularity and/or credit loss impairment modeling approach and enhancing coordination across our finance, risk, and credit units. Effectively addressing these challenges

will enable your Board of Directors and senior management to make better-informed decisions, proactively manage provisions and effects on capital plans, make forward-looking strategic decisions for risk mitigation in the event of actual stressed conditions, and help in understanding the evolving nature of risk in the finance business. In the end, a thoughtful, repeatable, consistent capital planning and impairment analysis should lead to a more sound, lower-risk system with a more efficient credit union and better allocation of capital.

Given the aforementioned realities, our monthly Board meetings were characterized by long discussions rationalizing and planning how best we will position the Credit Union for these urgent and necessary adjustments.

Operating Performance

The Credit Union ended the year with a surplus of \$26.1 million against a number of significant changes in the economic and operating environment in which we do business. We faced the lowering of interest rates in the economy which negatively affected planned revenues and the impact of the new accounting standard, IFRS 9, which called for additional provisioning that significantly lowered our surplus for 2018 when compared with our surplus for 2017. The Treasurer's Report will provide more details in this area.

The table below reflects our percentage growth in key result areas for 2018 when compared to the credit union's movement overall.

	DEC.31 2017	DEC.31 2018	GATEWAY'S GROWTH	MOVEMENT GROWTH
SAVINGS	\$5.54BN	\$6.25BN	12.8%	10.7%
LOANS	\$4.12BN	\$4.86BN	18.0%	11.4%
TOTAL ASSETS	\$7.08BN	\$7.66BN	8.2%	9.8%
NET SURPLUS	\$136.35M	\$26.11B	-80.9%	-
CAPITAL ADEQUACY	12.5%	11.6%	-7.2%	-
MEMBERSHIP	58,080	63,390	9.1%	-0.2%

As illustrated above, Gateway's percentage growth in the areas of savings, loans, asset and membership exceeded those of the movement.

Savings

Despite the heightening cost of living, our members continued to make saving deposits. This speaks volume to the thrifty nature of our members and we continue to ensure that the interest you receive on your savings remain competitive; rejecting any thought of taking your funds elsewhere.

Loans & Delinquency

Our members consistently maintained a healthy appetite for loan solutions and the growth in loans for the review year solidified this claim. Our loan portfolio surpassed the movements' growth; for the fiscal year under review, we managed to close with an approximate 7% growth over the movement's average. This growth was achieved amidst the high competition from other financial institutions that offered enticing rates; however, the loyalty and flexibility of the Credit Union allowed us to serve you, our members-our family in such a way that resulted in these positive outcomes. We continue to encourage members to take loans for business enhancement and assist in driving the economy towards success.

Management of the performance of our disbursed loans remained high on the agenda. Gateway managed to close the fiscal year with an approximate 3 percent rate of delinquency; which is well in line with the PEARLS Standard of 5 percent. The Delinquency team, coupled

with the efforts of other key stakeholders in the process, worked assiduously to minimize the number of bad loans. We implore our members to repay their debts as agreed, allowing us to help other members realize their financial dreams.

Nested on the hands and globe philosophy, your Credit Union depicts the self-help and people helping people succeed.

Membership

From an industry perspective, Gateway surpassed the annual benchmark in membership growth. With a 9.1 percent growth over 2017, this is a direct indication of the attractiveness of our products and service offerings. Although not categorized as "members", it would be remiss of me not to mention the year-on-year growth of our youth membership.

Institutional Capital

Gateway recognizes the need for adequate capital which will enable the Credit Union to provide a base for future growth and to ensure that the Credit Union remains an on-going concern. The Institutional Capital further serves as a protection against operating losses and enabling us to meet competitive pressures as they arise. Your Board remains vigilant in maintaining the strength of this arm, although currently there is no immediate threat to the capital adequacy.

Risk & Corporate Governance

Understanding that apparent risks left unnoticed can erode the safety and soundness of the Credit Union, the Board of Directors continued to ensure good governance of the Credit Union's operations. Through the CEO, the Board of Directors ensured that Management and staff observed the internal controls put in place to eliminate, and in unavoidable cases, minimize risk as much as possible.

Monthly and/or quarterly reports were submitted on time to the relevant entities such as the Bank of Jamaica, Registrar of Co-operatives and Friendly Societies, The Financial Investigation Division (FID) and the Jamaica Co-operative Credit Union League Limited and submitted in a manner as required by law. The relevant business units within the credit union submitted monthly reports, advising the Board of the day-to-day operations and indicating the credit union's results in all its key performance areas. Board Meetings were held as scheduled including special meetings to deal with any urgent matters. Committee Reports were received and actioned.

Joint meetings were held; the volunteer body received training and was represented at our Annual Planning Retreat.

All audits conducted by the Internal and External Auditors as well as the Supervisory Committee were dealt with expeditiously and where necessary, corrective actions were taken to remedy any discrepancy. We commend these individuals for the recommendations to guide the mitigation of potential risks.

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 stronger and more credible institution and ensure that good governance is maintained at all times.

Human Resources

There is no doubt about the fact that the human asset is the key intangible asset for any organization and Gateway recognizes the importance of our staff and prides ourselves with ensuring that they remain a priority which will guarantee a standard of extraordinary service to our members.

We aim to add value to all whom we serve and believe that we can do so through the holistic development of our staff. We maintained a diverse calendar of activities: Sports Competition, Charity Walks/Runs, Lyme, Staff & Supervisor of the Quarter, Customer Service Champion of the Quarter, Information Sessions, Trips, Easter Treat, Departmental Treats, Special Recognition to Mothers and Fathers, and End of Year Function. We also understand the importance of addressing the emotional health needs of our staff, and so we engaged the services of a Counsellor, provided moral support during periods of losses and illnesses. We also recognized accomplishments and milestones, and sponsored a fitness programme which were all well received by the staff members. Our staff is re-energized, committed to excellence, driven to add value to our members, motivated to achieve, focused on surpassing expectations, hardworking, trained and educated- to serve you, our valued members better.

The 2018 calendar year saw a fall in our staff complement from ninety-five (95) to ninety (90) employees when compared to the previous year. Efforts to recruit competent and 'right fit' staff were increased with the aim of adding to the existing potentials and increase efficiency. We continued to encourage internal recruitment where possible as this will allow for staff advancement, a good succession plan and boost morale. We also engaged the youth workforce through our work-experience, summer and internship work programmes as part of our corporate responsibility to help coach and equip our future leaders and members.

The implementation of a Human Resource Software is on-going. This will improve efficiency of some aspects of the administrative process. Training and educational development of staff is vital and so internal and external training needs are assessed and treated with priority. Access to the Education Grant is available to all and special leave granted for the purpose of study. Cross-training and job enrichment/enlargement opportunities are fostered and encouraged in order to help to retain a competent workforce.

Facilities

It is important that we provide a comfortable and welcoming environment for all our stakeholders who do business with us and work has commenced to ensure that this is accomplished. Our locations in Montego Bay, namely, Sam Sharpe Square and Church Street, will be rationalized into one branch at Church Street with adequate parking and another branch will be established in Fairview, Montego Bay which has become the "Wall Street" of Western Jamaica and hence, demands our presence.

All branches of Gateway will have a modern look and feel, and will be driven by technology for efficiency and convenience in service delivery.

Marketing & Outreach

In keeping with the co-operative spirit, Gateway remained involved in the community in which it operates and was involved in a number of

community projects and activities, in addition to, making many donations to schools, churches and community bodies; some of which are mentioned below.

Railway Gardens Basic School-

Adopted since 2004, we continue to support the school in a number of ways through sponsorships of various school activities and improvement in its physical infrastructure. Mr. Lesmore Williams continues to serve as Chairman of the School Board.

Bayley-Hay Scholarship-

The year 2018 marks the 26th year of this scholarship. We awarded 11 scholarships to the value of \$264,000.00, in addition to, 10 bursaries totaling \$100,000.00. Over the 26 years, 85 scholarships and 80 bursaries have been awarded to the tune of \$8.5M.

Herman Johnson Scholarship-

Launched in August 2014. Six (6) scholarships were paid out in 2018 totalling \$108,000.00 (\$18,000.00 each). This scholarship was 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.

Enid Gonsalves Scholarship-

The Enid Gonsalves Scholarship was established in honour of the founder of the former Hanover Co-operative Credit Union. This Scholarship was made available to a student from the Lucea Primary School who was successful in the GSAT examinations and would have attained an over 80% average. Last year, four (4) scholarships were awarded to the tune of \$ 80,000.00 (\$20,000.00 each).

Gateway Schools' Academic Championship Quiz-

2018 was the 26th year of hosting this competition. Twenty-eight (28) schools participated. St. James Prep was crowned the champion. Approximately \$2.3M was spent in making the competition a success. Cash and other awards were given to coaches, teachers and teams in partnership with our affiliate companies- JCCUL, CUNA, QNET and the Montego Bay and Hanover Business Communities.

These initiatives are just a few indications of the great emphasis Gateway places on education and the youth for obvious reasons.

Credit Union Week-

Observed during the week October 14-20, 2018, we commenced the week with Church Service at the Lucea United Church. Members benefitted from our Health Fairs (cancer screening, HIV tests, and cancer and blood sugar tests) free of charge. Money Management sessions and "members treats" were held across both branches. We closed the week of activities with a "Soup and Soap" day at the West Haven Children's Home in Copse, St. James; the occupants were treated to hair and nail grooming, hot meals and gifts.

Cornwall Regional Hospital -

December 2018 marked the 16th consecutive year of the Children's Treat. Gateway staff brought gifts to the children and workers on ward to the tune of \$300,000.00 to foster peace and joy for the yuletide season.

The credit union through its partner, CUNA Caribbean, continues to provide savings, loan and death benefit protection to its members with excellent settlement service. The report for 2018 is hereunder:

Claim Settlement Record

PRODUCT	SAVINGS	# OF CLAIMS	LOANS- 2018	# OF CLAIMS
LIFE SAVINGS & LOAN PROTECTION	1,083,496.16	26	1,246,787.20	26
FAMILY INDEMNITY PLAN	70,968,334.20	157-PROCESSED		155- HONOURED

Board of Directors Meeting/ Attendance

In keeping with its mandate, the Board of Directors met monthly (and in some cases twice per month) to deliberate, review and take decisions on the operations of the Credit Union. Below is an indication of the record of attendance for the period January to December 2018:

DIRECTORS	# OF POSSIBLE MEETINGS	# OF MEETINGS ATTENDED	# OF MEETINGS ABSENT WITH APOLOGY
LAMBERT JOHNSON	12	12	-
REV. GLENROY CLARKE	12	10	2
MR. HORACE SMITH	12	11	1
ALFRED GRAHAM	12	12	-
CLEVELAND PARKER	12	11	1
SYNDRE MONTAGUE-DWYER	12	12	-
RODCLIFFE ROBERTSON	12	10	2
BRYCE GRANT	12	8	4
VINCENT ROSE	12	12	-

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 are working towards establishing internet and mobile banking by the end of 2019. The ultimate goal, however, is to be able to facilitate intra and inter transactions with other credit unions and financial institutions which your League is working on to facilitate through a special interconnectivity project. This project is expected to be completed before the end of 2019.

We are very hopeful that soon you will be able to do all your transactions and loan requests from the comfort of your homes or offices on your computers and mobile devices. Additionally, we will be strengthening our social media presence and interaction along with a redesign of our website.

Acknowledgements

We recognized the contribution made by our stakeholders in making 2018 a successful one and in this regard, we must say thanks to:

1. Our loyal and faithful members who continue to support their credit union.
2. The management and staff who worked diligently and faithfully to provide the best possible service to our members.
3. The Board, Committees and Sub-Committees members for their careful attention to detail and their conscientious support during the year under review.
4. The Co-operative Network, of which we are a part of, 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 Company Limited.

5. Our Auditors Crowe Horwath.
6. Our Attorneys, Robinson Foster and Associates and Albert Morgan and Company.

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

Gateway Co-operative Credit Union (2017) Limited

Report of the Treasurer

For the Year ended December 31, 2018



Horace Smith - Treasurer

As your custodians, we hereby present to you, our fellow Co-operators, the Financial Report for the year January to December 2018 at our 2nd Annual General Meeting of the Gateway Co-operative Credit Union (2017) Limited.

The review year was characterized by a number of challenges and changes. The Credit Union had to overcome significant changes in the fiscal and regulatory environment which adversely impacted its financial performance. The adoption of IFRS 9 required the Credit Union to assess and provide for loans from initiation; a major change from the usual prudential requirement. This additional provision of \$72M therefore made a direct hit on our Net Surplus of approximately \$27.4M.

The Bank of Jamaica's interest rate policy during 2018 resulted in significant reductions of interest rates in the financial sector. The impact on the revenues of Gateway resulted in a \$38.3M decline in investment interest income moving from \$126.5M in 2017 to \$88.2M in 2018.

Under the circumstances, we managed to improve our service delivery to our members with our record turn-around time on loans as well as other means of allowing members to transact their business faster with our recently implemented drop-box service at

our main branch in Sam Sharpe Square. We experienced impressive growth in our loan and savings portfolios. We continue to manage delinquency and stabilize same below the allowable standard of 5%. We continue to see commendable growth in our membership. These are all indications that your Credit Union is moving positively in the right direction. In addition, Gateway was still able to record a surplus.

The table below gives an overview of the Financial Performance (2018) compared to 2017.

	2018 (\$M)	2017 (\$M)	ANNUAL INCREASE (%) (DECREASE)
TOTAL ASSETS	7,664	7,004	9.4
DEPOSITS	3,436	3,092	11.1
SHARES	2,813	2,450	14.8
LOANS (after provision)	4,850	4,122	17.9
LOAN INTEREST INCOME	554	477	16.1
DEPOSIT INTEREST EXPENSE	100	86	15.9
NET INTEREST INCOME	532	507	5.0
GROSS INCOME	585	624.4	(6.3)
OPERATING EXPENSES	559	488.0	14.6
NET INCOME	26	136.3	(80.9)
MEMBER'S EQUITY	1,146	1,199	(4.4)
INSTITUTIONAL CAPITAL	749	742	0.01

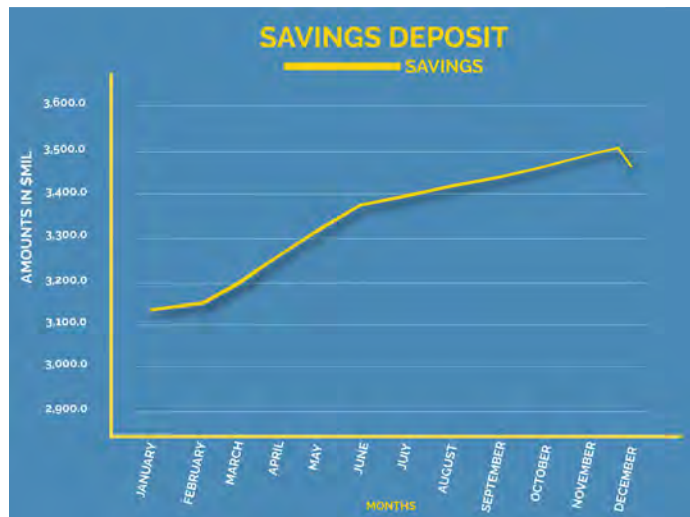
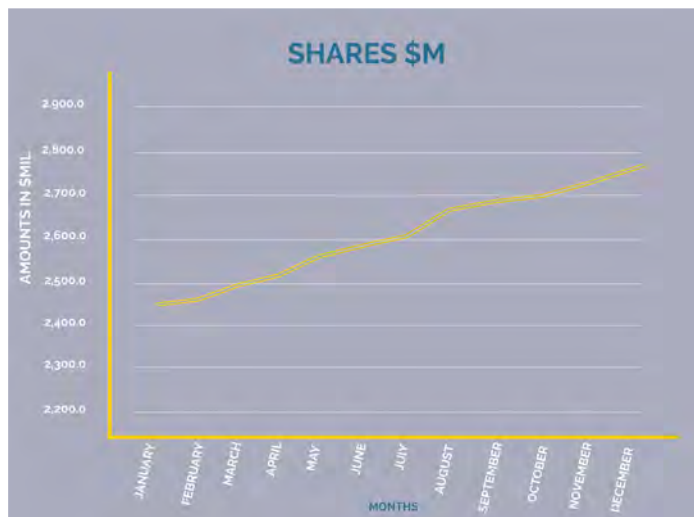
Total Assets Growth

Total assets grew by 9.4% or \$660M to stand at \$7.664Bn representing real growth for the organization. Inflation for 2018 was 3.73%.



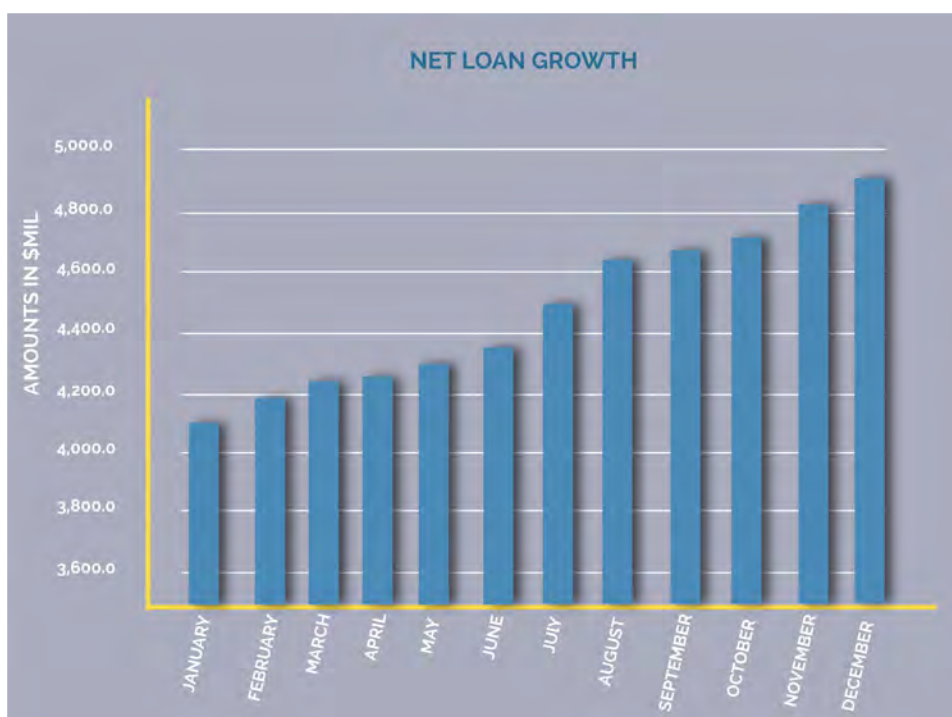
Shares & Savings Deposits (movement in)

Shares increased from \$2.450Bn to \$2.813Bn; a growth of 14.8%. Deposits increased from \$3.092Bn to \$3.436Bn; a growth of 11.1%.



Loan Growth

Loans recorded the highest percentage growth of all our indicators. There was a 17.9% increase or \$738M net loan growth for 2018. Loan disbursements exceeded \$2.7Bn; a 6% increase over 2017.



Operating Income

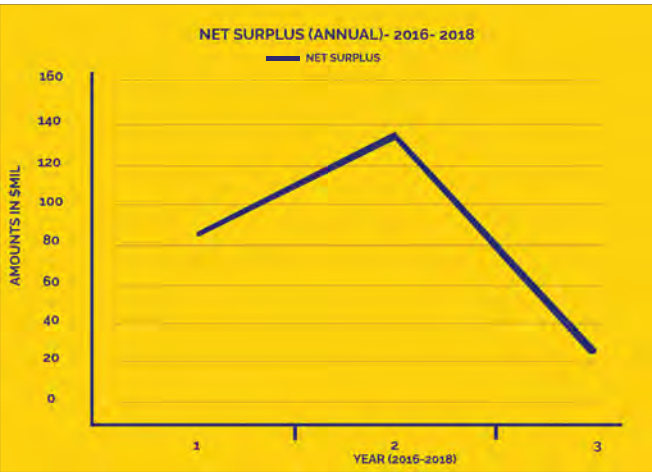
Operating income for 2018 was \$724M, of which interest income was \$642M, \$39M or 6% above 2017. Investment interest income was \$38M lower than 2017.

Operating Expenses

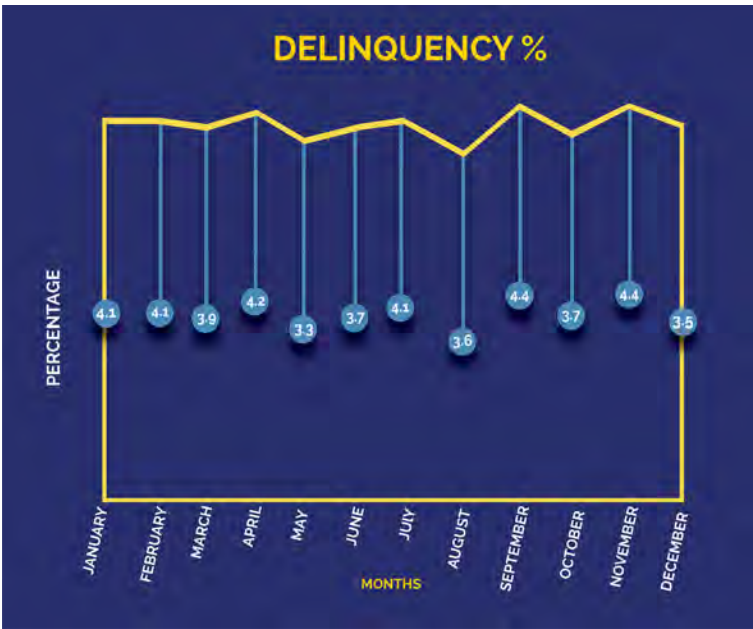
Operating expenses incurred for the year amounted to \$559M, in support of a number of operational initiatives implemented to improve service delivery to our members.

Net Surplus

Net surplus for 2018 was \$26M compared to \$136M for 2017. Net surplus was adversely affected by a \$27.4M expense for increased provision to satisfy the IFRS 9 requirements and approximately \$38.3M loss in interest income due to BOJs interest rate policy.



The credit union's performance against the international PEARLS Standard is set out below and 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	2018	2017	2016*
PROTECTION PROVISION FOR LOAN LOSSES	Provision Loan Losses/ Delinquency > 12 Months	100%	100%	100%	100%
	Provision Loan Losses/ Delinquency 6 < 12 Months	60%	60%	60%	60%
	Provision Loan Losses/ Delinquency 3 < 6 Months	30%	30%	30%	30%
	Provision Loan Losses/ Delinquency 2 < 3 Months	10%	10%	10%	10%
EFFECTIVE FINANCIAL STRUCTURE	Net Loans/Total Assets	60-80%	63.4	58.8	53.7%
	Savings Deposit/Total Assets	70-80%	81.5	79.1	80.1%
	Net Institutional Capital/ Total Assets	> /=8%	11.6	12.3	10.8%
ASSET QUALITY	Delinquency Loans/ Gross Loan Portfolio	< /=5%	3.5	4.1	
	Non-Earning Assets/Total Assets	< /=7%	10.1	10.7	8.5%
RATES OF RETURN & COSTS	Total Operating Expenses/ Average Total Assets	< /=8%	7.6	7.4	6.9%
	Net Income/ Average Total Assets	> /=2.3%	0.4	2.1	1.3%
LIQUIDITY	Liquid Assets-St. Payables/ Total Deposit Savings	20-30%	21.5	18.3	27.6%
SIGNS OF GROWTH	Membership	> /=5.0%	8.4	3.5	5.0%
	Asset	> Inflation	9.4	16.0	14.8%

*combined HCCUL & MCCU

Acknowledgements and Conclusion

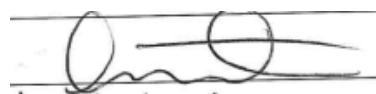
We are confident that Gateway will continue to remain relevant and financially viable with the support from you, our valued members, prudent management from staff and guidance and oversight from the volunteers.

It has been a pleasure for me to have served in the capacity of Treasurer for the year 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 (Mr.)
Treasurer

Proposal for the Distribution of Surplus

For the Year Ended December 31, 2018.

Available for Distribution	\$79,693,166.00
Dividend on Permanent Shares (14%)	\$11,157,043.00
Honoraria (4%)	\$3,187,727.00
Permanent Reserve	\$50,000,000.00
Retained Earnings	\$15,348,396.00
Total Distribution	\$79,693,166.00

For and on behalf of the Board of Directors.

A handwritten signature in dark ink, appearing to read 'Horace Smith', is written over a horizontal line.

Horace Smith (Mr.)
Treasurer



Resolution for Reserve Account Transfer

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED

Whereas there is a need to increase the Capital Adequacy base of the Credit Union,
Be it Resolved that the Infrastructure Development Reserve Account balance of twenty-one million dollars (\$21,000,000.00) be transferred to the Permanent Reserve Account of the Credit Union.

Moved by: _____

Seconded by: _____

Proposal for the Fixing of Maximum Liability

To December 31, 2018.

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.

A handwritten signature in dark ink, appearing to read 'H. Smith', is written over a horizontal line.

Horace Smith (Mr.)
Treasurer

WE FOSTER A
**FRIENDLY &
PROFESSIONAL**
ENVIRONMENT IN WHICH TO CONDUCT
BUSINESS





Y CO-OPERATIVE
UNION (2017) LTD.
"By our members, for our members"

TEAM MEMBERS' WELL BEING IS

**HIGHLY
VALUED**



**DEPARTMENT OF CO-OPERATIVES
& FRIENDLY SOCIETIES**

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

2 MUSGRAVE AVENUE

Kingston 10

Tel: 927-4912/927-6572 or 978-1946

Fax: 927-5832

E-mail: dcfs@cwjamaica.com



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

S1

R 608/-843/05/19

May 21, 2019

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, 2018.

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

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

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

Yours truly,

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

LGE/kd

c. The Secretary
Jamaica Co-operative Credit Union League



*Smart decisions.
Lasting value.*

**Gateway Co-operative Credit
Union (2017) Limited
Financial Statements
For the year ended
31st December 2018**

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2018

(Expressed in Jamaican Dollars unless otherwise stated)

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2018

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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 2018, 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 2018, 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.

Key Audit Matter	How the matter was addressed during the audit
<p>Expected Credit Loss ('ECL') on Financial Assets</p> <p>IFRS 9 was implemented by the entity on January 1, 2018. The adopted standard is new and complex and requires the entity to recognize expected credit losses ('ECL') on financial assets, the determination of which is highly subjective and requires management to make significant judgment and estimates</p> <p>The key areas requiring greater management judgment include the identification of significant increase in credit risk ('SICR'), the determination of probabilities of default, loss given default, exposure at default and the implication of forward-looking information.</p> <p>Significant management judgement is used in determining the appropriate variables and assumptions used in the ECL computations, which increase the risk of material misstatement.</p>	<p>Our procedures in this area includes the following;</p> <ul style="list-style-type: none"> • Obtaining an understanding of the models used by the entity for the calculation of expected credit losses including governance over the determination of key judgments. • Testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key data inputs into IFRS 9 impairment models for investments. • Testing the completeness and accuracy of the data used in the models of the underlying accounting records based on a sample basis.

LOCATIONS:

KINGSTON
Oxford House,
6 Oxford Road,
Kingston 5

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F: +876-929-1300

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Mandeville,
Manchester

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RUNAWAY BAY
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Runaway Bay,
St. Ann

T: +876-627-9048 / 630-2011

MONTEGO BAY
Unit 22, Block C,
Fairview Office Park 11,
Montego Bay,
St. James

T: +876-627-9048 / 630-2011

**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)**

Basis for Opinion (Cont'd)

Key Audit Matter	How the matter was addressed during the audit
<p>Expected Credit Loss ('ECL') on Financial Assets</p> <p>We therefore determined that impairment on loans receivable and investment securities has a high degree of estimated uncertainty.</p> <p>In addition, disclosure regarding the entity's application of IFRS 9 are key to understanding the change from IAS 39 as well as explaining the key judgments and material inputs to the IFRS9 ECL results.</p>	<p>Our procedures in this area includes the following;</p> <ul style="list-style-type: none"> • Evaluation of the appropriateness of the entity's impairment methodology including (SICR) criteria presented. • Assessment of the assumptions for probability of default, loss given default and exposure at default. • Assessment of the adequacy of the disclosure of the key assumption and judgements as well as the details of transition adjustment for compliance with IFRS 9.

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.

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 Co-operative Societies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 (Cont'd)**

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 17, 2019

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2018

(Expressed in Jamaican Dollars unless otherwise stated)

		2018	RESTATED 2017	2016
	<u>Notes</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>ASSETS:</u>				
EARNING ASSETS:				
Liquid Assets	5	837,012,966	1,118,592,956	1,102,406,766
Loans to Members after Provision for Impairment	6	4,860,244,343	4,121,841,380	2,098,435,333
Financial Investments	8	1,194,751,286	961,712,120	721,347,649
Investment Property	9	-	53,132,068	53,132,068
Total Earning Assets		<u>6,892,008,595</u>	<u>6,255,278,524</u>	<u>3,975,321,816</u>
NON-EARNING ASSETS:				
Cash and Cash Equivalents	10 (A)	122,563,428	136,103,646	53,252,999
Inventories		3,148,779	2,609,004	1,675,216
Other Receivables & Prepayments	11	33,149,150	19,391,403	52,092,662
Intangible Assets	12	5,482,655	1	190,895
Property, Plant and Equipment	13	561,160,819	528,750,608 *	73,459,127
Retirement Benefit Asset	14	46,258,000	62,332,000	46,525,000
Total Non-Earning Assets		<u>771,762,831</u>	<u>749,186,662</u>	<u>227,195,899</u>
TOTAL ASSETS		<u>7,663,771,426</u>	<u>7,004,465,186</u>	<u>4,202,517,715</u>

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2018
(Expressed in Jamaican Dollars unless otherwise stated)


		2018	RESTATED 2017	2016
	Notes	\$	\$	\$
LIABILITIES :				
INTEREST BEARING LIABILITIES:				
Members' Voluntary Shares	15	2,812,733,894	2,450,141,111	1,250,945,400
Members' Saving Deposits	16	3,435,999,326	3,092,374,622	2,022,331,715
Borrowing	17	79,061,855	84,486,422	-
Bank Overdraft (Unsecured)	10 (B)	11,253,669	4,662,083	33,635,363
Total Interest Bearing Liabilities		6,339,048,744	5,631,664,238	3,306,912,478
NON-INTEREST BEARING LIABILITIES:				
Accounts & Other payables & Accruals	18	96,731,236	99,855,559	80,661,594
Accrued Interest on Members' Deposits	16	81,658,160	73,799,852	52,842,257
Total Non Interest Bearing Liabilities		178,389,396	173,655,411	133,503,851
TOTAL LIABILITIES		6,517,438,140	5,805,319,649	3,440,416,329
EQUITY:				
Members' Permanent Share Capital	19	139,047,323	121,492,735	68,311,393
Non-Institutional Capital	20	258,779,402	336,182,098	237,016,321
Institutional Capital	21	748,506,561	741,470,703 *	456,773,672
Total Capital		1,146,333,286	1,199,145,536	762,101,386
TOTAL LIABILITIES AND EQUITY		7,663,771,426	7,004,465,186	4,202,517,715

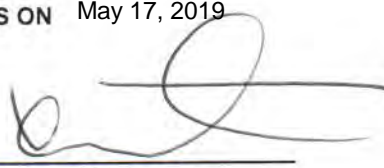
*** RESTATED**

These items have been restated to adjust the Business Combination Reserve due to corrections to the fair values of certain Property, Plant and Equipment on acquisition.

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

APPROVED FOR ISSUE ON BEHALF OF THE BOARD OF DIRECTORS ON May 17, 2019
AND SIGNED ON ITS BEHALF BY:


MR. LAMBERT JOHNSON
PRESIDENT


MR. HORACE SMITH
TREASURER

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2018
(Expressed in Jamaican Dollars unless otherwise stated)

	<u>Notes</u>	2018 \$	2017 \$
INTEREST INCOME:			
Loans to Members	22	554,035,488	476,757,315
Liquid Assets & Financial Investments		<u>88,157,074</u>	<u>126,457,873</u>
		<u>642,192,562</u>	<u>603,215,188</u>
INTEREST EXPENSE:			
Interest Expense on Members' Voluntary Shares	23	31,864,939	21,267,925
Savings Deposits	23	<u>68,310,256</u>	<u>64,896,775</u>
		100,175,195	86,164,700
Other Financial Costs	25	<u>10,116,010</u>	<u>10,234,737</u>
		<u>110,291,205</u>	<u>96,399,437</u>
NET INTEREST INCOME		531,901,357	506,815,751
Net Movement in Provision for Loan Impairment		27,400,522	(52,900,091)
Increase in Provision for Investment Impairment		<u>684,627</u>	<u>-</u>
NET INTEREST INCOME AFTER PROVISION		503,816,208	559,715,842
NON - INTEREST INCOME			
Rental - Investment Property		876,631	5,887,904
Fee & Other Income	26	<u>80,537,564</u>	<u>58,778,055</u>
GROSS INCOME		585,230,402	624,381,801
Less Operating Expenses	27	<u>559,117,864</u>	<u>488,036,356</u>
NET INCOME BEFORE HONORARIA		<u>26,112,539</u>	<u>136,345,445</u>
Honoraria		<u>2,524,034</u>	<u>2,475,000</u>
NET INCOME AFTER HONORARIA		<u>23,588,505</u>	<u>133,870,445</u>
OTHER COMPREHENSIVE INCOME			
Items that will never be classified to Profit or Loss:			
Minimum Business Tax		(60,000)	(60,000)
Unrealised Fair Value Gain -Available for sale investments		5,059,268	2,185,421
Re-measurement of Defined Benefit Pension Plan		<u>(20,464,000)</u>	<u>(9,561,000)</u>
		<u>(15,464,732)</u>	<u>(7,435,579)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>8,123,773</u>	<u>126,434,866</u>

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

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
STATEMENT OF CHANGES IN EQUITY- SUMMARY
FOR THE YEAR ENDED 31ST DECEMBER 2018
(Expressed in Jamaican Dollars unless otherwise stated)

	Members'	Non-	Institutional	
	Permanent Share	Institutional	Institutional	Total
	Capital	Capital	Capital	
	\$	\$	\$	\$
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 as previously reported	121,492,735	336,182,098	814,419,554	1,272,094,387
Impact on Transition to IFRS 9	-	(56,370,208)	-	(56,370,208)
Impact on Transition to IFRS 9 (ECL on investments)	-	(13,007,916)	-	(13,007,916)
Adjustment due to restatement	-	-	(72,948,851)	(72,948,851)
Balance at 31st December 2017 as restated	121,492,735	266,803,974	741,470,703	1,129,767,412
Total Comprehensive Income for the year after Honoraria	-	8,123,773	-	8,123,773
Transactions with owners				
Transfer - 20% of net Income before Honoraria	-	(5,222,508)	5,222,508	-
Amount subscribed-Shares	17,554,588	-	-	17,554,588
Appropriations from 2017 surplus:				
Dividend on members' shares	-	(10,925,837)	-	(10,925,837)
Transfer to IFRS 9 Reserve	-	(70,665,108)	-	(70,665,108)
Transfer from Undistributed Surplus	-	70,665,108	-	70,665,108
Entrance Fees	-	-	1,813,350	1,813,350
Total transactions with owners	17,554,588	(16,148,345)	7,035,858	8,442,101
Balance at 31st December 2018	139,047,323	258,779,402	748,506,561	1,146,333,286

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

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
STATEMENT OF CHANGES IN EQUITY -NON-INSTITUTIONAL CAPITAL
FOR THE YEAR ENDED 31ST DECEMBER 2018

(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
<u>Other Comprehensive Income</u>									
Minimum Business Tax	-	-	-	-	-	(60,000)	-	-	(60,000)
Unrealised fair value losses 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
<u>Transactions with owners</u>									
Transfer -20% of Net Income for the year 2016 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 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

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
STATEMENT OF CHANGES IN EQUITY -NON-INSTITUTIONAL CAPITAL
FOR THE YEAR ENDED 31ST DECEMBER 2018
(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 2017 as previously reported	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
Impact on Transition to IFRS 9 (ECL on loans)	-	-	-	-	-	(56,370,208)	-	-	(56,370,208)
Impact on Transition to IFRS 9 (ECL on investments)	-	-	-	-	-	(13,007,916)	-	-	(13,007,916)
Balance at 31st December 2017 as restated	75,056,663	62,332,000	576,428	2,000,000	29,135,877	14,747,005	61,956,001	21,000,000	266,803,974
Net Income after Honoraria	-	-	-	-	-	23,588,505	-	-	23,588,505
Other Comprehensive Income									
Minimum Business Tax	-	-	-	-	-	(60,000)	-	-	(60,000)
Unrealised fair value gains on available-for-sale financial assets	-	-	-	-	5,059,268	-	-	-	5,059,268
Re-Measurement of Pension Asset	-	-	-	-	-	(20,464,000)	-	-	(20,464,000)
Total comprehensive income for the year	-	-	-	-	5,059,268	3,064,505	-	-	8,123,773
Transaction with owners									
Transfer -20% of Net Income for the year 2018 before Honoraria	-	-	-	-	-	(5,222,508)	-	-	(5,222,508)
Appropriations from 2017 surplus:									
Dividend on members' shares	-	-	-	-	-	(10,925,837)	-	-	(10,925,837)
Transfer to IFRS 9 Reserve	-	-	-	-	-	(70,665,108)	70,665,108	-	-
Decrease in Retirement Benefit Reserve	-	(16,074,000)	-	-	-	16,074,000	-	-	-
Transfer from Loan Loss Reserve	-	-	-	-	-	132,621,109	(132,621,109)	-	-
Total transactions with owners	-	(16,074,000)	-	-	-	61,881,656	(61,956,001)	-	(16,148,345)
Balance as at 31st December 2018	75,056,663	46,258,000	576,428	2,000,000	34,195,145	79,693,166	-	21,000,000	258,779,402

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
STATEMENT OF CHANGES IN EQUITY - INSTITUTIONAL CAPITAL
FOR THE YEAR ENDED 31ST DECEMBER 2018
(Expressed in Jamaican Dollars unless otherwise stated)

	Statutory & Legal Reserves \$	Permanent Reserves \$	Business Combination Reserve \$	Total \$
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 as previously reported	198,076,598	287,573,864	328,769,092	814,419,554
Adjustment due to restatement	-	-	(72,948,851) *	(72,948,851)
Balance at 31st December 2017 as restated	198,076,598	287,573,864	255,820,241	741,470,703
Transfer of 20 % of Net Income for the Year before Honoraria	5,222,508	-	-	5,222,508
Entrance Fees	1,813,350	-	-	1,813,350
Balance at 31st December 2018	205,112,456	287,573,864	255,820,241	748,506,561

***RESTATED**

These items have been restated to adjust the Business Combination Reserve for adjustments to the fair value of certain Property, Plant and Equipment on acquisition. (See note 36).

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

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2018
(Expressed in Jamaican Dollars unless otherwise stated)

	2018	2017
	\$	\$
Cash flows from Operating Activities		
TOTAL COMPREHENSIVE INCOME AFTER HONORARIA	8,123,773	126,434,866
Restatement resulting from impact of transition to IFRS 9	(69,378,124)	-
Non- cash items included in income		
Depreciation expense	35,905,177	18,931,426
Amortisation Expense	2,741,327	190,894
Gain on disposal of Fixed Assets	(2,260,081)	(100,000)
Unrealised Fair Value Gain	(5,059,268)	(2,185,421)
Pension income	16,074,000	(15,807,000)
Provision for loan impairment	27,400,522	(52,900,091)
Provision for Investment Impairment	684,627	-
Fair Value Gain of Fixed Assets on Business Combination	-	(274,398,307)
	<u>14,231,953</u>	<u>(199,833,632)</u>
Changes in Operating Assets and Liabilities		
Inventories	(539,775)	(933,788)
Other Receivables & Prepayments	(13,757,748)	32,701,260
Accounts & Other Payables & Accrual	(3,124,323)	19,193,964
Accrued Interest on members' voluntary shares	<u>7,858,308</u>	<u>20,957,595</u>
Net Cash Provided by/(Used in) Operating Activities	<u>4,668,415</u>	<u>(127,914,602)</u>
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(68,895,130)	(272,773,450)
Additions to Intangible Assets	(8,223,981)	-
Proceeds disposal of property, plant and equipment	2,839,822	100,000
Transfer from Investment Property	53,132,068	-
Financial investments	(228,664,525)	(238,179,051)
Loans to members	(765,803,485)	(1,987,872,885)
Net Cash & Cash Equivalents arising on Business Comb	<u>-</u>	<u>384,170,214</u>
Net Cash Used in Investing Activities	<u>(1,015,615,230)</u>	<u>(2,114,555,172)</u>
Cash Flows from Financing Activities:		
Voluntary share capital	362,592,783	1,199,195,711
Permanent shares subscription	17,554,588	15,147,150
Savings Deposits	343,624,704	1,070,042,907
Entrance Fee	1,813,350	1,607,701
Dividend on permanent shares	(10,925,837)	-
Borrowing (External Credit)	(5,424,567)	84,486,422
Bank overdraft	<u>6,591,586</u>	<u>(28,973,280)</u>
Net Cash Provided by Financing Activities	<u>715,826,607</u>	<u>2,341,506,611</u>
(Decrease)/Increase in Liquid Assets	<u>(295,120,208)</u>	<u>99,036,837</u>
Liquid Assets at Beginning of Year	<u>1,254,696,602</u>	<u>1,155,659,765</u>
Liquid Assets at End of Year	<u>959,576,394</u>	<u>1,254,696,602</u>
Liquid Assets - Earning	837,012,966	1,118,592,956
Liquid Assets - Non - Earning	<u>122,563,428</u>	<u>136,103,646</u>
	<u>959,576,394</u>	<u>1,254,696,602</u>

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

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2018
 (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.

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - CONT'D
FOR THE YEAR ENDED 31ST DECEMBER 2018
 (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:

IFRS 9: Financial Instruments (2014) (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:

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.

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

IFRS 15: Revenue from Contracts with Customers (superseded IAS 8 (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.

Clarifications to IFRS 15 : Revenue from Contracts with Customers (Effective January 2018)

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.

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - CONT'D
FOR THE YEAR ENDED 31ST DECEMBER 2018
 (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 40 - Investment Property Transfers of Investment Property (Effective January 2018)

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.

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.

These affected the financial statements for accounting periods beginning on or after the first day of the months stated. The adoption of these Standards and amendments had no material impact on the company's financial statements.

- b) Standards and interpretations which are considered relevant to the Credit Union were issued but not yet effective:

Certain new, revised and amended standards and interpretations have been issued which are not yet effective for the current year and which the company has not early-adopted. The company 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 company's financial statements:

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - CONT'D
FOR THE YEAR ENDED 31ST DECEMBER 2018
 (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 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.

Prepayment Features with Negative Compensation (Amendments to IFRS 9) (Effective January 2019)

Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

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.

- **IAS 12: Income Taxes (Effective January 2019)**

The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) (Effective January 2019)

The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.
- In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

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

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - CONT'D
FOR THE YEAR ENDED 31ST DECEMBER 2018
 (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 and Judgements -

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.

Critical Accounting Estimate and judgement applied

i) Classification of Financial Asset

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

ii) Impairment of Financial Assets

Establishing the criteria of determining whether credit risk of the financial assets has increase significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of expected credit losses (ECL) and selection and approval of models used to measure ECL requires significant judgement.

Risk of Estimation uncertainty

iii) Measurement of Expected Credit allowance/provision under IFRS 9

The measurement of expected credit allowance for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. That is the likelihood of members defaulting and the resulting loss).

A number of significant judgements are also required in applying the accounting requirement for measuring

- Determining criteria for significant increase in credit risk;
- Selecting appropriate models and assumptions for the measurement of expected credit losses;

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - CONT'D
FOR THE YEAR ENDED 31ST DECEMBER 2018
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3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Cont'd):

iii) Measurement of Expected Credit allowance/provision under IFRS 9 (Cont'd)

- Establishing of the number and relative weightings of forward-looking scenarios for each type of product or market and associated expected credit loss;
- Establishing groups of similar financial assets for the purpose of measuring expected credit losses.

c) 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.

The Credit Union, under the IFRS 9 Expected Credit Loss (ECL) impairment framework, recognises ECLs on loans, taking into account past events, current conditions and forecast information. In this regard, the Credit Union determines the economic variables that are likely to influence the borrowers' ability to meet their loan obligations in the future and incorporate such forward looking economic information in the overall estimation of the expected credit loss.

Additionally, the credit union is required to update the amount of ECLs recognised at each reporting date to reflect changes in credit risk of the loan portfolio.

Loans to members are held solely for the collection of principal and interest in accordance with the contractual arrangement between the credit union and the borrower. Therefore, loans are classified under the hold to collect business model and are measured at amortized cost.

The credit union assigns an initial risk rating to each loan at the date of disbursement. The risk rating is determined by the credit score assigned and categorised in the recognised credit score bands.

Loan Staging

By way of disclosure, the credit union estimates and reports the ECL on a stage by stage basis.

Stage 1

Loans are placed in Stage 1 at origination and remains in this stage providing that such loans have not experience a significant increase in credit risk.

Stage 2

Loans are transitioned to Stage 2 when there is evidence that such loans have experienced a significant increase in credit risk.

Stage 3

Loans are transitioned into Stage 3 if there is evidence that these loans are impaired or are at a default stage. Loans that are past due for a period of 90 days or more are deemed to have defaulted.

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.

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
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3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Cont'd):

c) Loans to Members and provisions for Loan Impairment - (Cont'd)

Stage 3-(Cont'd)

Regulatory loan loss reserve requirements that exceed the provision required under International Financial Reporting Standards - IFRS 9 "Financial Instruments" are dealt with in a non-distributable loan loss reserve as a transfer from unappropriated profits.

(d) 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 6 months with banks and other financial institutions.

(e) Financial Investments-

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

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

From 1st January 2018, the Credit Union has applied IFRS 9 and classified its financial assets as either Fair value through profit or loss (FVTPL); Fair value through other comprehensive income (FVOCI) or Amortised cost.

Classification and subsequent measurement of debt instruments depend on the credit union's business model for managing the asset; and the cash flow characteristics of the asset.

Based on these factors, the credit union classifies its debt instruments into one of the following three measurement categories:

- *Amortised cost:* Assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI') and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described at (vi). Interest income from these financial assets is included in 'Interest and similar income' using the effective interest method.
- *Fair value through other comprehensive income (FVOCI):* Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL are measured at fair value through other comprehensive income (FVOCI).
- *Fair value through profit or loss:* Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within. 'Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest method.

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

f) Impairment of Financial Assets

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

Loss allowances are measured at an amount equal to lifetime ECL except for the following are measured as a 12-month ECL:

- debt investment securities that are low in risk

- other financial instruments (other than lease receivables) on which credit risk not not increased significantly.

12-month ECL are the portion of ECL that result from default events of a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised is referred to as Stage 1 financial instrument.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial Instruments for which lifetime ECL is recognised and is not credit-impaired is referred to Stage 2 financial instruments.

At each reporting date, the credit union assesses whether the financial assets carried at amortised cost are credit-impaired (referred to a Stage 3 financial assets).

(g) Provisions

General

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 recognized 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.

IFRS 9- Expected Credit Loss (ECL)

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

As a result of the adoption of IFRS 9, the Credit Union has adopt consequential amendments to IFRS 7 "Financial Instruments Disclosure", which are applied to disclosures about they financial year 2018, but have not been applied to the comparative information

As a result of the adoption of IFRS 9, the Credit Union has adopt consequential amendments to IFRS 7 "Financial Instruments Disclosure", which are applied to disclosures about they financial year 2018, but have not been applied to the comparative information.

The Expected Credit Loss (ECL) represents the amount the Credit Union is likely to lose in the event of a default.

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
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3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Cont'd):

(g) Provisions -(Cont'd)

In recognizing Expected Credit Loss (ECL) as prescribed by IFRS 9, the Credit Union took into account past events, current conditions and forecast information. The Credit Union determined the economic variables that are likely to influence the borrowers ability to meet their loan obligation in the future and incorporate such forward looking economic information in the overall estimation of the expected credit loss.

At each reporting date, the Credit Union is required to update the amount of ECLs recognised to reflect changes in credit risk of the loan portfolio.

At least once annually, the credit union re-assesses the risk ratings bands and carries out the necessary adjustments in order to ensure that the ratings bands are consistent with prevailing trends and conditions.

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

The impact of transition of IFRS9 on the opening Undistributed Surplus and investment revaluation reserve is as follow:

Undistributed Surplus:

		<u>\$</u>
Balance as at 31st December 2017		84,125,129
Impairment provision as at 31st December 2017 under IAS 39:		
On Loans to Members	25,882,472	
On Financial Investments	<u>-</u>	
	25,882,472	
Expected Credit Loss as at January 1, 2018 under IFRS 9		
On Loans to Members	(82,252,680)	
On Financial Investments	<u>(13,007,916)</u>	
	<u>(95,260,596)</u>	
Recognition of expected credit loss under IFRS 9 written against Undistributed Surplus		<u>(69,378,124)</u>
Opening balance under IFRS 9 1st January 2018		<u><u>14,747,005</u></u>

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

h) Investment Property-

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

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

Recognition of investment property took place only when it was probable that the future economic benefits that was associated with the investment property would flow to the entity and the cost could be measured reliable. This was usually when all risks were transferred. Investment property was treated as a long-term investment and was carried at initial cost including transaction costs. The carrying amount included the cost of replacing parts of the investment property at the time the cost was incurred once the recognition criteria were met; and excluded the cost of day-to-day servicing of the investment property. Subsequent to the initial recognition, investment property was 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.

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
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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 2017 and 2018.

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	3%
Leasehold Improvements	50%
Machinery and Office Equipment	10%
Computer Equipment & Software	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.

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
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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.

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
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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.

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
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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.

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - CONT'D
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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% (2017 - 0.20%) of total assets less adjustment for certain fair value and reserve items. Stabilisation dues are fixed at a rate of 0.15% (2017 - 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.

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - CONT'D
FOR THE YEAR ENDED 31ST DECEMBER 2018
 (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.

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - CONT'D
FOR THE YEAR ENDED 31ST DECEMBER 2018
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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.

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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

Impaired loans are loans for which the Credit Union determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan.

Impaired Loans

Impaired loans are loans for which the Credit Union determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan.

Past Due but not Impaired Loans

These are loans where contractual interest or principal payments are past due but the Credit Union believes that impairment is not appropriate on the basis of the level of security available or the stage of collection of amounts owed to the Credit Union.

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

(a) Credit risk-Cont'd:

Credit Review Process (Cont'd)

Impairment (cont'd)

Allowances for Impairment

Prior to January 1, 2018, the Credit Union inline with IAS 39 established an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established on a Credit Union basis in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment. Additional regulatory allowance is made based on the aging of the delinquency portfolio. This additional allowance is treated as an appropriation and taken to reserves.

Effective January 1, 2018, the Credit Union under IFRS 9 established an impairment framework that estimates expected credit losses in its loan portfolio. The Credit Union have a documented IFRS 9 policy in place to guide the recognition and derecognition process. Management is responsible for the reassessment of credit risk of all loans to members annually or earlier if the needs arises and determine whether there is a significant increase in the credit risk from the loan origination date to the date reporting date.

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.

Credit Risk Exposure

Maximum Exposure for under IFRS 9

Loans

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
<u>As per Expected Credit Loss (ECL) Report</u>				
Loans to Members before allowance for expected credit	4,730,288,366	116,551,754	71,507,297	4,918,347,417
<u>As per General ledger</u>				<u>4,918,347,417</u>
Difference				<u>-</u>

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 2018 and 2017, without accounting for any collateral held or other credit enhancements.

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

(a) **Credit risk-Cont'd:**

Credit risk exposure-Cont'd:

	2018	2017
	\$	\$
Loan Commitments	<u>71,450,090</u>	<u>67,985,174</u>

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

	2018	2017
	\$	\$
Neither past due nor impaired	3,486,590,572	2,744,855,355
Past due but not impaired	1,377,446,516	1,249,780,000
Impaired	<u>54,310,329</u>	<u>153,088,497</u>
Gross Loan amounts	4,918,347,417	4,147,723,852
Less: Provision for credit losses	<u>(90,683,578)</u>	<u>(25,882,472)</u>
Net Loans Receivable	<u>4,827,663,839</u>	<u>4,121,841,380</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:

	2018	2017
	\$	\$
Less than 30 days	1,257,480,539	1,080,000,000
31 to 60 days	73,179,767	77,330,000
61 to 90 days	43,510,253	33,019,000
More than 90 days	<u>3,275,957</u>	<u>59,431,000</u>
	<u>1,377,446,516</u>	<u>1,249,780,000</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:

	2018	2017
	\$	\$
Loans to members	<u>54,310,329</u>	<u>153,088,497</u>

The fair value of collateral that the Credit Union held as security for individually impaired loans was \$74,120,000.00 (2017 - 43,147,387).

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

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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 2018, there was only one renegotiated loan totalling \$2,050,000 (2017- NIL).

v) Repossessed Collateral

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

	Carrying Amount 2018	Carrying Amount 2017
	\$	\$
Motor vehicles	18,315,000	19,430,000
Real estate	23,053,000	6,002,500
	<u>41,368,000</u>	<u>25,432,500</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:

	2018	2017
	\$	\$
Agriculture	8,703,510	11,436,991
Construction and real estate	816,679,529	914,581,533
Debt refinancing and consolidation	272,395,363	196,559,936
Transportation	737,034,263	464,073,821
Personal	745,133,712	363,734,876
Motor Vehicles	2,011,370,750	1,891,187,379
Education	108,690,176	107,387,574
Small Business	216,181,749	168,005,171
Professional and other services	2,158,365	3,609,710
	<u>4,918,347,417</u>	<u>4,120,576,992</u>
Less: Provision for credit losses	<u>(90,683,578)</u>	<u>(25,882,472)</u>
	4,827,663,839	4,094,694,520
Interest receivable	<u>32,580,505</u>	<u>27,146,860</u>
	<u>4,860,244,344</u>	<u>4,121,841,380</u>

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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:

	2018	2017
	\$	\$
Government of Jamaica	320,906,631	645,767,290
Financial Institutions	1,013,349,975	982,218,054
Credit Union Fund Management Company	524,484,360	167,114,267
Jamaica Co-operative Credit Union League	<u>9,437,426</u>	<u>285,205,467</u>
	<u><u>1,868,178,393</u></u>	<u><u>2,080,305,078</u></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.

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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 2018

	Within 3 Months \$	3 to 12 Months \$	1 to 5 Years \$	Over 5 Years \$	No Specific Maturity \$	Total \$
Members' saving deposits	90,631,345	351,801,212	168,989,167	1,185,809,005	1,638,768,596	3,435,999,325
Members' voluntary shares	-	-	-	-	2,812,733,894	2,812,733,894
External Credit	-	-	-	79,061,855	-	79,061,855
Non-interest bearing liabilities	34,284,392	178,269,226	-	-	-	212,553,618
Total financial liabilities (contractual maturity dates)	124,915,737	530,070,438	168,989,167	1,264,870,860	4,451,502,490	6,540,348,692
Assets held for managing liquidity risk (contractual maturity dates)	387,740,755	400,324,425	4,211,547,282	1,192,793,957	740,603,559	6,933,009,978

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
(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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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 2018 includes aggregate foreign assets the equivalent of \$107,532,000 (2017 - \$145,802,521).

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 2018 %	Effect on Net Surplus 2018 \$	Change in Currency Rate 2017 %	Effect on Net Surplus 2017 \$
Devaluation	4	4,301,280	4	5,832,101
Revaluation	2	(1,075,320)	2	(1,458,025)

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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

Earning Assets	Within 3 Months \$	3 to 12 Months \$	1 to 5 Years \$	Over 5 Years \$	No Specific Maturity Date \$	Non-Interest Bearing \$	Total \$
Liquid assets							
Deposits	-	-	-	-	499,792,975	-	499,792,975
Short-Term Investments	-	-	-	-	-	-	-
Reversed Repurchase agreements	294,427,900	39,496,700	-	-	-	-	333,924,600
Financial investments	88,650,465	281,494,000	414,959,184	152,033,942	243,807,232	-	1,180,944,823
Loans to members after provision for impairment	1,665,579	79,333,725	3,796,588,098	1,040,760,015	-	-	4,918,347,417
Non-earning assets	-	-	-	-	792,989,381	-	792,989,381
Total financial assets	384,743,944	400,324,425	4,211,547,282	1,192,793,957	1,536,589,588	-	7,725,999,196

Financial liabilities

Interest bearing liabilities							
Members' saving deposits	90,631,345	351,801,212	168,989,167	1,185,809,005	1,638,768,596	-	3,435,999,325
Members' voluntary shares	-	-	-	-	2,782,236,887	-	2,782,236,887
Bank Overdraft (Unsecured)	11,253,669	-	-	-	-	-	11,253,669
Non-interest bearing liabilities							
External Credit	34,284,392	178,269,226	-	-	-	-	212,553,618
Equity	-	-	-	79,061,855	-	-	79,061,855
Total financial liabilities	136,169,406	530,070,438	168,989,167	1,264,870,860	4,421,005,483	1,146,333,286	1,146,333,286
Total Interest Rate Sensitivity Gap	248,574,538	(129,746,013)	4,042,558,115	(72,076,903)	(2,884,415,895)	(1,146,333,286)	58,560,557

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

(c) **Market risk -Cont'd**

Interest rate risk

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)	4,662,083.00	-	-	-	-	-	4,662,083
Non-interest bearing liabilities	31,855,197.00	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)	-

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.

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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 2018 \$	Effect on Net Surplus 2018 \$	Change in Basis Points 2017 \$	Effect on Net Surplus 2017 \$
-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 %	2018 1 to 5 Years %	Over 5 Years %	Weighted Average %
Earning Assets					
Liquid assets-					
Deposits	1.25	-	-	-	1.25
Short-term investments	-	-	-	-	-
Reversed Repurchase Agreements	1.20	2.00	-	-	1.75
Financial Investments	1.20	2.00	4.25	5.00	4.50
External Loans (Mortgage Loan)		-	-	8.00	8.00
Loans (1)	9.50	10.25	12.25	11.50	10.80
Interest bearing liabilities	-	-	-	-	-
Members' Deposits (2)	1.65	3.15	4.52	4.10	2.75
Members' Voluntary Shares	-	1.75	-	-	1.75
	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
Loans (1)	13.40	13.59	13.60	11.50	13.00
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.

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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.

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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	2017	<u>100,689,871</u>

All League and Bank of Jamaica regulatory capital requirements were met during the year ended 31st December 2018.

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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 \$520,079,816(2017 \$658,419,021).
- (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:

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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 maximize 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:

	2018			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<u>Available for sale-</u>				
Unquoted equities	-	-	34,128,811	34,128,811
Quoted equities	66,964,149	-	-	66,964,149
Fixed and other deposits	-	930,072,467	-	930,072,467
	<u>66,964,149</u>	<u>930,072,467</u>	<u>34,128,811</u>	<u>1,031,165,427</u>

	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>

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

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5. Earning Assets-Liquid Assets:

	2018	2017
	\$	\$
Savings Account Balances & Demand Deposits	499,792,975	142,977,180
<u>Short Term Investments</u>		
Jamaica Co-operative Credit Union League	-	275,768,041
Other Financial Institutions	337,219,991	699,847,735
	<u>837,012,966</u>	<u>1,118,592,956</u>

6. Loan to Members:

	2018	2017
	\$	\$
Balance at Beginning of Year	4,120,576,992	2,154,672,574
Acquired on business combination	-	1,178,384,169
Loans Granted	2,707,733,841	2,457,938,420
	6,828,310,833	5,790,995,163
Less Repayments and Transfers	<u>(1,909,963,415)</u>	<u>(1,670,418,170)</u>
	4,918,347,417	4,120,576,992
Less Provision for Loan Impairment	<u>(90,683,578)</u>	<u>(25,882,472)</u>
	4,827,663,839	4,094,694,520
Add Interest Receivable	32,580,505	27,146,860
Balance at End of Year	<u>4,860,244,343</u>	<u>4,121,841,380</u>

7. Provision for Loan Impairment:

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

	2018	2017
	\$	\$
Balance, January 1, 2018	25,882,472	72,445,317
Arising on business combination	-	4,735,234
Remeasurement arising on January 1, 2018	56,370,208	-
Increase/(Decrease) in Provision for the year	27,400,522	(21,455,661)
Recoveries	2,393,124	4,949,527
Charged off Loans	<u>(21,362,748)</u>	<u>(34,791,945)</u>
Allowance for Expected Credit Loss (IFRS 9)/ Provision for Impairment (IAS 39)	90,683,578	25,882,472
JCCUL regulatory requirement (Note b)	<u>(31,229,907)</u>	<u>(87,838,473)</u>
	<u>59,453,671</u>	<u>(61,956,001)</u>

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7. Provision for Loan Impairment Cont'd:

(b) Net Movement on Loan Impairment Provision

	2018	2017
	\$	\$
Additional amounts provided for during the year (IFRS)		
Charged to Statement of Comprehensive Income	<u>27,400,522</u>	<u>(52,900,091)</u>

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

2018						
Number of Months in Arrears	Number of Loans	Delinquent Loans	Provision Rate	Savings Held Against Loans	Exposure	Loan Loss Provision
		\$	%	\$	\$	\$
Less than 2	93	73,179,767	-	14,310,376	58,869,391	-
2 to 3	45	43,510,253	10	9,997,992	33,512,261	4,351,025
3 to 6	55	27,184,308	30	2,073,523	25,110,785	8,155,292
6 to 12	87	29,195,971	60	2,958,976	26,236,995	17,517,583
Over 12	<u>3</u>	<u>1,206,007</u>	100	<u>12,795</u>	<u>1,193,212</u>	<u>1,206,007</u>
	<u>283</u>	<u>174,276,306</u>		<u>29,353,661</u>	<u>144,922,645</u>	<u>31,229,907</u>

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	<u>14</u>	<u>56,985,849</u>	100	<u>-</u>	<u>56,985,849</u>	<u>56,985,849</u>
	<u>301</u>	<u>226,766,585</u>		<u>27,018,691</u>	<u>199,747,896</u>	<u>87,838,473</u>

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
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8. Financial Investments:

	2018	2017
	\$	\$
<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	9,437,426
Jamaica Money Market Brokers Limited	-	1,628,016
(b) Quality Network Co-operative Limited (QNET)	2,335,771	2,335,771
Other - Mystic Mountain	-	10,000,000
Quoted Equities		
Other - Sagicor Real Estates	66,650,561	58,876,984
-Sagicor Sigma	77,861,713	-
National Commercial (PPN, & ICAB Fund)	99,416,690	-
(c) Credit Union Fund Management Company Limited	16,355,614	15,801,315
Central Strategic Service	5,000,000	5,000,000
Jamaica Co-operative Insurance Agency	1,000,000	1,000,000
Other		
Government of Jamaica Securities	-	198,900,000
	<u>278,057,775</u>	<u>302,979,512</u>
<u>Held for trading, at fair value through profit or loss</u>		
<u>Quoted Equities</u>		
Jamaica Money Market Brokers Limited	203,847	203,847
Mayberry Investments Limited	109,741	109,741
	<u>313,588</u>	<u>313,588</u>
<u>Held-to-Maturity</u>		
Placement with Other Financial Institutions	675,816,396	280,428,714
Government of Jamaica Securities	254,256,070	377,990,306
	<u>930,072,467</u>	<u>658,419,020</u>
Less: Allowance for expected credit losses under IFRS 9	<u>(13,692,543)</u>	<u>-</u>
	<u>1,194,751,286</u>	<u>961,712,120</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:

	2018	2017
	\$	\$
At beginning of year	53,132,068	53,132,068
Asset reclassify to PPE	<u>(53,132,068)</u>	<u>-</u>
At end of year	<u>-</u>	<u>53,132,068</u>

The building located at 20 Church Street, Montego Bay previously designated for rental purposes is no longer considered Investment Property since March 2018.

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9. Investment Property (Cont'd):

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

	2018	2017
	\$	\$
Rental income	726,631	5,337,904
Maintenance fees	<u>150,000</u>	<u>550,000</u>

10. (A) Cash and Cash Equivalents

	2018	2017
	\$	\$
Current Accounts	50,042,032	65,783,265
Cash in hand	<u>72,521,396</u>	<u>70,320,381</u>
	<u><u>122,563,428</u></u>	<u><u>136,103,646</u></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

	2018	2017
	\$	\$
Other Receivables	15,699,125	2,382,431
Prepayments	<u>17,450,025</u>	<u>17,647,592</u>
	33,149,150	20,030,023
Less Impairment Provision	<u>-</u>	<u>(638,620)</u>
	<u><u>33,149,150</u></u>	<u><u>19,391,403</u></u>

12. Intangible Assets

	2018	2017
	\$	\$
<u>At Cost:</u>		
1st January	11,990,668	11,990,668
Additions	<u>8,223,981</u>	<u>-</u>
31st December	<u>20,214,649</u>	<u>11,990,668</u>
<u>Accumulated Amortisation:</u>		
1st January	11,990,667	11,799,773
Charge for the year	<u>2,741,327</u>	<u>190,894</u>
31st December	<u>14,731,994</u>	<u>11,990,667</u>
<u>Net Book Value</u>	<u><u>5,482,655</u></u>	<u><u>1</u></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.

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13. Property, Plant & Equipment:

At Cost or Valuation:

	Land \$	Buildings & Infrastructure \$	Machinery & Office Equipment \$	Computer Equipment \$	Furniture & Fixtures \$	Total \$
31st December 2016	3,535,000	63,873,741	28,573,294	50,987,826	10,792,625	157,762,486
Additions	-	3,383,558	5,773,524	24,614,874	328,750	34,100,706
Fair Value Gain/(Loss) on Business Combination	-	289,484,130	(18,855,734)	3,104,973	664,938	274,398,307
Addition 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 as previously reported	18,535,000	555,031,598	53,909,556	106,336,112	14,955,225	748,767,490
Adjustment to Fair Value Gain on Business Combination	-	(72,948,851)	-	-	-	(72,948,851)
31st December 2017 as restated	18,535,000	482,082,747	53,909,556	106,336,112	14,955,225	675,818,639
Additions	-	606,211	12,198,927	2,569,660	388,262	15,763,060
Transfer of Investment Property to Property, Plant & Equipment	180,748,693	(127,616,624)	-	-	-	53,132,069
Revaluation Adjustment	-	(24,289,852)	(27,732,347)	(65,395,006)	(10,318,096)	(127,735,301)
Disposal/Write Off	-	(1,004,678)	-	-	-	(1,004,678)
31st December 2018	199,283,693	329,777,804	38,376,137	43,510,766	5,025,391	615,973,790

Depreciation:

31st December 2016	-	14,115,624	20,274,335	41,183,495	8,729,905	84,303,359
Depreciation Arising on Business Combination	-	10,575,533	7,485,217	24,211,511	1,588,191	43,860,452
Reclassification/WriteOff/Transfer	-	-	(27,205)	-	-	(27,205)
Charge for year	-	5,400,308	8,872,570	4,054,397	604,150	18,931,425
31st December 2017	-	30,091,465	36,604,917	69,449,403	10,922,246	147,068,031
Charge for year	-	7,392,039	9,665,909	14,190,548	4,656,682	35,905,177
Reclassification/Write Off/Transfer	-	(20,982,804)	(27,658,650)	(65,184,620)	(14,334,164)	(128,160,237)
31st December 2018	-	16,500,701	18,612,175	18,455,331	1,244,764	54,812,971

Net Book Value:

31st December 2018	199,283,693	313,277,104	19,763,961	25,055,435	3,780,627	561,160,819
31st December 2017	18,535,000	451,991,282	17,304,639	36,886,709	4,032,979	528,750,608
31st December 2016	3,535,000	49,758,117	8,298,959	9,804,331	2,062,720	73,459,127

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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:

	2018	2017
	\$	\$
Fair value of plan assets	286,033,000	257,346,000
Present value of funded obligations	<u>(239,775,000)</u>	<u>(195,014,000)</u>
Asset in the statement of financial position	<u>46,258,000</u>	<u>62,332,000</u>

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

	2018	2017
	\$	\$
At beginning of year	257,346,000	159,879,000
Business Combination	-	63,925,000
Re-measurements on plan assets	(3,418,000)	4,558,000
Employer contributions	8,137,000	8,078,000
Employee contributions	11,815,000	8,482,000
Interest income	21,099,000	20,594,000
Administrative	(1,758,000)	(1,650,000)
Benefits paid	<u>(7,188,000)</u>	<u>(6,520,000)</u>
At end of year	<u>286,033,000</u>	<u>257,346,000</u>

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

	2018	2017
	\$	\$
At beginning of year	<u>195,014,000</u>	<u>113,354,000</u>
Current service cost	7,302,000	5,887,000
Interest cost	<u>15,786,000</u>	<u>14,369,000</u>
	23,088,000	20,256,000
Re-measurements-		
Actuarial loss from change in financial assumptions	22,962,000	9,829,000
Actuarial loss -experience adjustments	<u>(5,916,000)</u>	<u>4,290,000</u>
Experience loss	17,046,000	14,119,000
Employee's Contribution	11,815,000	8,482,000
Benefits paid	<u>(7,188,000)</u>	<u>(6,520,000)</u>
Business	-	45,323,000
At end of year	<u>239,775,000</u>	<u>195,014,000</u>

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14. Retirement Benefit Assets Cont'd:

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

	2018	2017
	\$	\$
Included in administrative expenses-		
Current service cost	7,302,000	5,887,000
Interest cost	15,786,000	14,369,000
Interest income on plan assets	(21,099,000)	(20,594,000)
Administrative expense	<u>1,758,000</u>	<u>1,650,000</u>
Staff costs	<u>3,747,000</u>	<u>1,312,000</u>
Included in other comprehensive income (OCI)-		
Actuarial loss on obligation	17,046,000	14,119,000
Actuarial loss/(gain) on plan assets	<u>3,418,000</u>	<u>(4,558,000)</u>
Total components of defined benefit cost recorded in OCI	<u>20,464,000</u>	<u>9,561,000</u>
Defined benefit cost	<u>24,211,000</u>	<u>10,873,000</u>

Expected contributions to the plan for the year ending 31st December 2019 amount to \$7,450,000 which is based on contribution rate of 8% Pensionable Salaries.

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

	2018	2017
	\$	
At beginning of year	62,332,000	46,525,000
Effect of Business Combination	-	18,602,000
Amounts recognised in the statement of comprehensive income	(3,747,000)	(1,312,000)
Total re-measurements included in other comprehensive income	(20,464,000)	(9,561,000)
Employers' contribution paid	<u>8,137,000</u>	<u>8,078,000</u>
At end of year	<u>46,258,000</u>	<u>62,332,000</u>

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

	2018	2017
	\$	\$
Discount rate	7.00	8.00
Price inflation (CPI)	5.00	5.00
Pension increases	2.50	2.50
Future salary increases	<u>5.00</u>	<u>6.00</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).

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14. Retirement Benefit Assets Cont'd:

The distribution of plan assets was as follows:

	2018		2017	
	%	\$	%	\$
Quoted equities	16.87	48,253,000	14.39	37,034,000
Local Registered Stocks	9.50	27,173,000	6.89	17,739,000
Real Estate investment trust	1.00	2,872,000	0.96	2,473,000
Government of Jamaica bonds	36.63	104,762,000	47.88	123,229,000
Repurchase agreements	2.67	7,647,000	3.65	9,391,000
US\$ bonds	4.85	13,874,000	4.44	11,421,000
Investment properties	23.73	67,872,000	16.19	41,660,000
US Certificate of deposit	2.95	8,441,000	3.10	7,973,000
Other	2.95	5,139,000	2.50	6,427,000
		<u>286,033,000</u>		<u>257,347,000</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:

	2014	2015	2016	2017	2018
	\$'000	\$'000	\$'000	\$'000	\$'000
Fair Value of Plan Assets	-	-	-	257,346	286,031
Defined Benefit Obligation	-	-	-	195,014	239,774
Surplus	-	-	-	<u>62,332</u>	<u>46,257</u>
<u>Experience adjustments-</u>					
Fair Value of Plan Assets	-	-	-	4,559	(3,418)
Defined Benefit Obligation	-	-	-	<u>3,479</u>	<u>(5,916)</u>

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - CONT'D
FOR THE YEAR ENDED 31ST DECEMBER 2018
 (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.

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - CONT'D
FOR THE YEAR ENDED 31ST DECEMBER 2018
(Expressed in Jamaican Dollars unless otherwise stated)

15. Members' Voluntary Shares:

	2018	2017
	\$	\$
Balance at Beginning of Year	2,425,052,618	1,224,676,657
Arising on business combination	-	833,765,622
Add: Deposits during the year	2,735,620,005	2,572,382,471
Interest paid during the year (relating to prior year)	<u>33,608,457</u>	<u>22,336,279</u>
	5,194,281,080	4,653,161,029
Less: Withdrawal and transfers	<u>(2,412,044,193)</u>	<u>(2,228,108,411)</u>
	2,782,236,887	2,425,052,618
Interest accrued on Member's voluntary shares	<u>30,497,007</u>	<u>25,088,493</u>
Balance at End of Year	<u><u>2,812,733,894</u></u>	<u><u>2,450,141,111</u></u>

16. Savings Deposits

	2018	2017
	\$	\$
Movements on deposit balances during the year:		
(a) Members' Special and Fixed		
Balance at beginning of year	1,610,662,614	747,017,883
Arising on business combination	-	704,710,744
Add: Deposits during the year	3,273,130,736	1,765,363,179
Interest during the year	<u>38,501,616</u>	<u>32,536,789</u>
	4,922,294,966	3,249,628,595
Less: Withdrawals and transfers	<u>(3,194,238,318)</u>	<u>(1,638,965,981)</u>
	<u>1,728,056,648</u>	<u>1,610,662,614</u>
(b) Members' Ordinary Deposits		
Balance at beginning of year	1,481,712,008	1,275,313,832
Arising on business combination	-	76,399,817
Add: Deposits during the year	1,618,113,543	2,505,304,917
Interest during the year	<u>33,608,457</u>	<u>16,521,613</u>
	3,133,434,008	3,873,540,179
Less: Withdrawals and transfers	<u>(1,425,491,330)</u>	<u>(2,391,828,171)</u>
	<u>1,707,942,678</u>	<u>1,481,712,008</u>
Total Savings deposits	3,435,999,326	3,092,374,622
Interest accrued on members' deposits	<u>81,658,160</u>	<u>73,799,852</u>
	<u><u>3,517,657,486</u></u>	<u><u>3,166,174,474</u></u>

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - CONT'D
FOR THE YEAR ENDED 31ST DECEMBER 2018
(Expressed in Jamaican Dollars unless otherwise stated)

16. Savings Deposits Cont'd:

	2018	2017
	\$	\$
i Ordinary Members' Deposits	1,707,942,678	1,481,712,008
ii Passbook Savings	913,438,189	784,181,430
iii Golden Harvest Saving Plan	298,968,174	278,931,103
iv Certificate of Deposit/Fixed Deposit	304,829,260	361,129,138
v GCCU Gift Certificate	5,080	5,080
vi GCCU Partner Plan	210,815,945	186,415,863
	<u>3,435,999,326</u>	<u>3,092,374,622</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

	2018	2017
	\$	\$
External Loan- JCCUL Mortgage Loan	<u>79,061,855</u>	<u>84,486,422</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 requirements;
- 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.

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - CONT'D
FOR THE YEAR ENDED 31ST DECEMBER 2018
(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

	2018	2017
	\$	\$
Statutory Deductions	3,906,841	1,706,125
Family Indemnity Plan	32,098,873	20,602,875
Deferred Income JCCUL Grant re IFRS 9	120,171	-
Other Payables	<u>31,510,075</u>	<u>30,862,455</u>
	67,635,960	53,171,455
Accrued Charges	<u>29,095,276</u>	<u>46,684,104</u>
	<u><u>96,731,236</u></u>	<u><u>99,855,559</u></u>

19. Members' Permanent Share Capital:

	2018	2017
	\$	\$
Balance at Beginning of Year	121,492,735	68,311,393
Arising on business combination	-	38,034,192
Add Permanent Share Capital Subscribed	<u>17,554,588</u>	<u>15,147,150</u>
Balance at End of Year	<u><u>139,047,323</u></u>	<u><u>121,492,735</u></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. This amount is only redeemable upon termination of membership with the credit union.

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

20. Non-Institutional Capital:

	2018	2017
	\$	\$
a) Investment Property Reserves	75,056,662	75,056,663
b) Retirement Benefit Reserves	46,258,000	62,332,000
c) General Reserves	576,428	576,428
d) Share Transfer Fund	2,000,000	2,000,000
e) Fair Value Reserves	34,195,145	29,135,877
f) Loan Loss Reserves	-	61,956,001
g) Infrastructure Development Reserves	21,000,000	21,000,000
Accumulated Surplus	<u>79,693,166</u>	<u>84,125,129</u>
	<u><u>258,779,401</u></u>	<u><u>336,182,098</u></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.

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - CONT'D
FOR THE YEAR ENDED 31ST DECEMBER 2018
(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 allowance 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:

	2018	2017
	\$	\$
Permanent Reserve	287,573,864	287,573,864
Business Combination Reserve	255,820,241	255,820,241 *
Statutory & Legal Reserves (Note 29)	<u>205,112,456</u>	<u>198,076,598</u>
	<u>748,506,561</u>	<u>741,470,703</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.

***RESTATED**

This item has been restated to adjust the fair value of certain Property, Plant and Equipment on acquisition. (See note 36).

22. Interest Income

	2018	2017
	\$	\$
Loan and advances	<u>554,035,488</u>	<u>476,757,315</u>
	<u>554,035,488</u>	<u>476,757,315</u>
Financial Investments		
Available-for-sale Investments	5,390,135	23,746,561
Held-to-Maturity investments	47,277,979	36,239,666
Unit Trust Income	-	9,302,423
Reverse repurchase agreement	29,578,000	39,091,398
Deposits and Other	<u>5,910,960</u>	<u>18,077,825</u>
	<u>88,157,074</u>	<u>126,457,873</u>
	<u>642,192,562</u>	<u>603,215,188</u>

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - CONT'D
FOR THE YEAR ENDED 31ST DECEMBER 2018
(Expressed in Jamaican Dollars unless otherwise stated)

23. Interest Expense

	2018	2017
	\$	\$
Members' fixed deposits	10,041,007	10,861,897
Members' ordinary deposits	24,209,481	22,062,010
Members' voluntary shares	31,864,939	21,267,925
Members' other deposits	34,059,768	31,972,867
	<u>100,175,195</u>	<u>86,164,700</u>

24. Insurance Protection

	2018	2017
	\$	\$
Life Savings and Loan Protection Insurance	28,837,994	25,011,300
Golden Harvest Insurance	3,881,335	2,926,447
Security Processing	2,400,625	1,076,819
General Insurance	8,926,701	5,777,675
	<u>44,046,655</u>	<u>34,792,241</u>

25. Other Financial Costs

	2018	2017
	\$	\$
Bank Charges and Interest	3,540,577	3,235,435
Loan Interest Expense	6,575,433	6,999,301
	<u>10,116,010</u>	<u>10,234,737</u>

26. Fees and Other Income:

	2018	2017
	\$	\$
Statement and other credit information	36,716,213	23,324,105
Gain on Foreign Exchange	3,538,894	2,144,671
Dividends and Gains	-	15,551,557
Gain on Disposal of Property, Plant and Equipment	2,260,081	100,000
Other Fees	33,314,733	17,657,722
Other Income (IFRS9 grant)	4,707,643	-
	<u>80,537,564</u>	<u>58,778,055</u>

27. Operating Expenses:

Personnel Expenses:

	2018	2017
	\$	\$
Employee Salaries and Wages	208,935,467	184,481,597
Other Employee Benefits	66,492,501	48,249,507
Statutory contributions	24,123,646	20,237,748
Pension Cost	3,747,000	1,312,000
	<u>303,298,614</u>	<u>254,280,853</u>

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - CONT'D
FOR THE YEAR ENDED 31ST DECEMBER 2018
(Expressed in Jamaican Dollars unless otherwise stated)

27. Operating Expenses (cont'd):

Administrative Expenses:

	2018	2017
	\$	\$
Utilities	36,483,132	20,310,007
Depreciation and Amortisation	38,646,504	19,179,466
Property Expenses	17,402,503	22,511,107
Auditors' remuneration	3,345,000	5,200,279
Security	9,580,820	8,875,941
Printing, Stationery and Postage	13,137,792	14,642,335
Insurance Protection (Note 24)	44,046,655	34,792,241
Legal and Other professional fees	6,496,430	10,423,530
Transportation and Communication	6,405,485	6,038,648
Awards and Donations	354,700	734,802
Miscellaneous & Other Expense (Net)	(514,867)	394,650
Unrecoverable General Consumption Tax	17,209,448	11,934,259
Merger Expenses	-	4,240,798
	<u>192,593,603</u>	<u>159,278,061</u>

Marketing and Promotion:

	2018	2017
	\$	\$
Publicity and Promotion	15,952,776	27,786,597
Public Relations	<u>2,264,790</u>	<u>322,890</u>
	<u>18,217,566</u>	<u>28,109,487</u>

Representation and Affiliation:

	2018	2017
	\$	\$
League and Other Dues	30,383,697	32,924,897
Board of Directors & Committees	7,777,507	6,275,135
Annual General Meetings	3,512,212	1,815,484
Meetings/ Special Functions	<u>3,334,665</u>	<u>5,352,438</u>
	<u>45,008,081</u>	<u>46,367,954</u>

TOTAL OPERATING EXPENSES

<u>559,117,864</u>	<u>488,036,356</u>
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GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - CONT'D
FOR THE YEAR ENDED 31ST DECEMBER 2018
(Expressed in Jamaican Dollars unless otherwise stated)

28. Appropriations:

	2018	2017
	\$	\$
Dividend on Permanent Shares	10,925,837	-
IFRS 9 Reserve	<u>70,665,108</u>	<u>-</u>
	<u><u>81,590,945</u></u>	<u><u>-</u></u>

29. Statutory and Legal Reserves:

	2018	2017
	\$	\$
Balance at beginning of year	198,076,598	169,199,808
20% Statutory Reserves	5,222,508	27,269,089
Entrance Fees	<u>1,813,350</u>	<u>1,607,701</u>
Balance at End of Year	<u><u>205,112,456</u></u>	<u><u>198,076,598</u></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%.

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - CONT'D
FOR THE YEAR ENDED 31ST DECEMBER 2018
 (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 2018, there were commitments of approximately \$ 71,450,090 (2017: \$67,985,174) in respect of loans approved, but not disbursed.
- (b) At 31st December 2018, there were no commitments in respect of educational grants approved for employees but not disbursed (2017 - \$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:

	2018	2017
	\$	\$
<u>Directors and Committee Members-</u>		
Shares and savings	24,703,886	18,054,679
Loans, including interest	<u>42,706,980</u>	<u>36,296,807</u>
<u>Staff Members-</u>		
Shares and savings	56,299,126	58,513,157
Loans, including interest	<u>220,193,298</u>	<u>164,796,968</u>
<u>Family members of key management-</u>		
Shares and savings	9,345,691	23,579,277
Loans, including interest	<u>20,911,905</u>	<u>34,535,915</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.

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - CONT'D
FOR THE YEAR ENDED 31ST DECEMBER 2018
 (Expressed in Jamaican Dollars unless otherwise stated)

32. Related Party Transactions and Balances-Cont'd

(b) Purchase of goods

The supplier who supply the on-site staff canteen with goods is no longer a committee member of the credit union.

(c) Key management compensation

	2018	2017
	\$	\$
Salaries and other short-term employee benefits	66,352,680	45,370,558
Post-employment benefits	<u>3,078,915</u>	<u>5,615,943</u>
	<u>69,431,595</u>	<u>50,986,501</u>

33. Comparison of Ledger Balances

	Share Capital	Voluntary Shares	Deposits	Loans
	\$	\$	\$	\$
Balance as per General Ledger	139,047,323	2,812,733,894	3,435,999,326	4,918,347,416
Balance as per Members Ledger	<u>139,047,323</u>	<u>2,812,733,894</u>	<u>3,435,999,325</u>	<u>4,918,347,416</u>
	<u>-</u>	<u>-</u>	<u>1</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:

- i) 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. Management has been informed that a ruling was made against the Credit Union in April 2019 but the sums have not yet been conveyed before the issue of these financial statements.
- ii) 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 and the case comes up for mention in June 2019.

Both sums have been fully provided for since 2016.

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - CONT'D
FOR THE YEAR ENDED 31ST DECEMBER 2017
(Expressed in Jamaican Dollars unless otherwise stated)

36. Restatement 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	442,606,332 *
Retirement Benefit Asset	18,602,000
Members' Voluntary Shares	(833,765,622)
Members' Saving Deposits	(784,019,167)
Borrowing	(89,936,939)
Accounts Payable	(32,335,364)
	<u>296,338,564</u>
Members' Permanent Share Capital	<u>38,034,192</u>
Business Combination Reserve	<u>255,820,241</u>
<u>Cash Acquired</u>	
Liquid Assets - Non-Earning	361,121,238
Liquid Assets - Earning	23,048,976
	<u>384,170,214</u>

This item has been restated to for adjustments to the fair value of certain Property, Plant and Equipment on acquisition.

WE REWARD
PERFORMANCE





WE CELEBRATE
SUCCESS



Earl Green (Member); Andreene Williams; Errol Chattoo; Vivienne Frankson (Secretary); Peter Reid (Chairman)

Report of the Credit Committee

For the year ended December 31, 2018

Peter Reid
Chairman

Vivienne Frankson
Secretary

Errol Chattoo
Member

Marsha Waitworth
Member (served Jan-Sept 2018)

Andreene Williams
Member (served Sept-Dec 2018)

Earl Green
Member

The Credit Committee boasts yet another successful year of the merger. This success was evident in the growth of one of our key areas – credit, with record performance in disbursements and delinquency control.

For the financial year Jan-Dec 2018, the Credit Union disbursed a total of **\$2.7 billion** which represented a **12.5 % growth over 2017**. An infographic summary of the loan disbursed for the fiscal year is stated below:



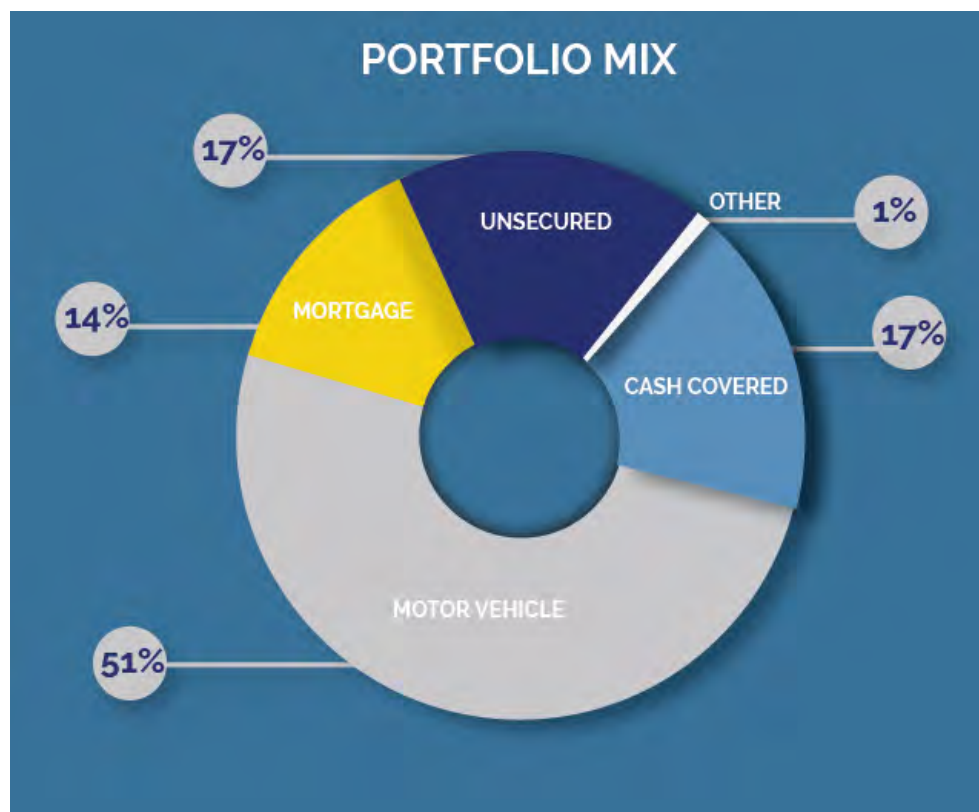
A breakdown of loans disbursed during the year under review is set out hereunder:

LOAN PURPOSE	NUMBER	VALUE
CASH SECURED (INTERNAL)	4262	769,661,327.35
CASH SECURED (EXTERNAL)	10	1,603,268.49
MORTGAGE (COMMERCIAL)	5	14,690,000.00
MORTGAGE (RESIDENTIAL)	21	124,800,069.13
MOTOR VEHICLE (COMMERCIAL)	164	385,125,088.70
MOTOR VEHICLE (PRIVATE)	377	676,599,713.34
MOTOR VEHICLE -SPECIAL	65	132,601,308.30
REAL ESTATE (HOME EQUITY)	4	13,336,000.00
UNSECURED (INC. LINE OF CREDIT AND LOAN SPECIAL)	1328	589,317,064.47
TOTAL	6236	2,707,733,839.78

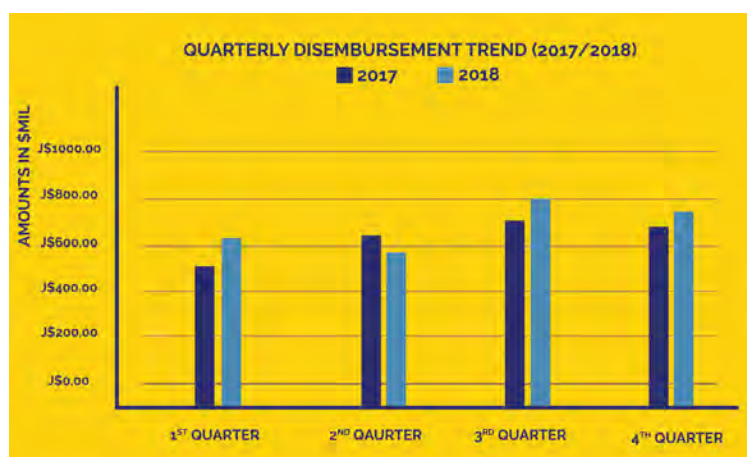
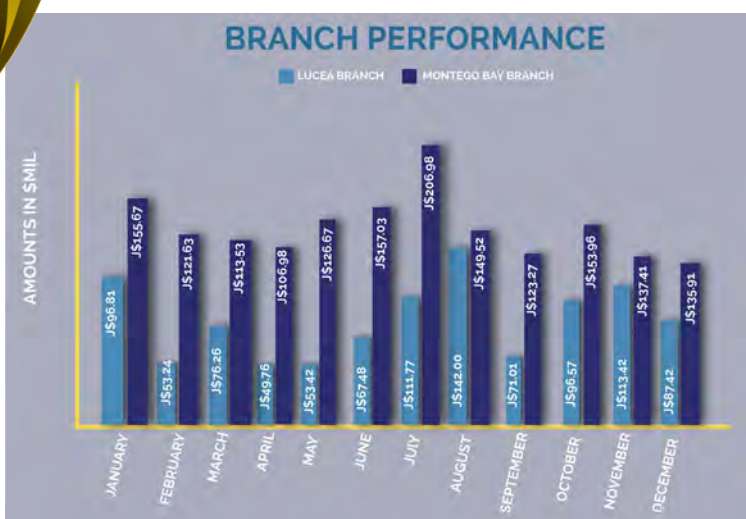
Staff Loans taken throughout the year amounted to \$88,786,289.80
These figures indicate your continued loyalty and confidence in Gateway.

The approximate 4% increase in Unsecured Loans resulted from a Debt Consolidation promotion held during the 3rd quarter (July to September) where qualified members were able to borrow up to a maximum of Three Million Dollars (\$3,000,000.00). This promotion saw great success as the terms were revised to allow for use of funds for any productive purpose.

Our mortgage portfolio remained steady at approximately 14% of the total portfolio.



Gateway's Loan Portfolio stood at \$4.9 billion at the end of the 2018 fiscal year.



Credit Risk Management

The Credit Committee is required to work within the regulatory framework which is designed to protect the Credit Union and its members. A key requirement of this framework is to assess "high-risk" and "low-risk" members and price the loans accordingly. As a Committee, we must ensure that all possible risks are mitigated/eliminated.

In keeping with the changes in technology coupled with the need to serve our Members in the most efficient way, we set our plans in motion and commenced use of a new software-LoanPro, with effect from November 1, 2018. This new operating system allowed us to automate approximately 80% of our loan process and included a risk-based lending component geared towards assessing and pricing loans based on the risk. This initiative was in response to the new IFRS 9 Standards; all Credit Unions are expected to operate within this framework.

Management continued to exercise authority as well as 'sweeteners' and other concessionary privileges were granted to members, as deemed necessary and consistent with our internal procedures. The Credit Committee continues to exercise oversight responsibility for all approved loans and as such randomly selected and reviewed loan accounts, inclusive of Members of Staff and Members.

Delinquency/Loss Control

Despite the economic circumstances and other

factors that affected our Members throughout the year, the Credit Union was able to close the year with a <5% Delinquency Rate. This positive move was supported by our highly trained and experienced Delinquency Team coupled with our equally competent and experienced Credit Team who exercised prudence in the loan assessment process. Gateway was not immune to the adverse economic tide; notwithstanding, the Credit Union ensured that both Teams were adequately resourced. In respect of the recovery efforts, our resources were concentrated on initiating early contact with our members to avoid delinquency and reduce the attendant costs to our members. However, the efforts to recover funds were not always successful, as the contact information of some of our members were changed and the Credit Union was not informed, as required. Accordingly, additional effort was required to contact these members, who were pursued diligently to come to a resolution. In some cases, legal actions were initiated after all other avenues to recover the debt (Credit Union's money) were exhausted.

It is noticeable achievements like these that assisted Gateway in keeping its promise to our Members, in congruence with one of our core values- namely, "being committed to our Members' social and economic development." These developments reinforce the confidence that our Members have in the long-term viability of Gateway and the onus is on us to ensure that we do not betray that trust.

Attendance

A total of twenty-five (25) meetings were convened by the Credit Committee; generally, the meetings were well attended with a few absences as a result of extenuating circumstances. A record is shown hereunder:

MEMBERS	POSSIBLE	ACTUAL	ABSENT
PETER REID	25	23	2
VIVIENNE FRANKSON	25	24	1
ERROL CHATTOO	25	18	7
MARSHA WAITWORTH	19	10	9
EARL GREEN	25	25	0
ANDREENE WILLIAMS	6	3	3

Marsha Waitworth was not re-elected to serve. Miss Andreene Williams served with effect from the date of the First Annual General Meeting.

Reflection & Forward Thinking

We worked assiduously to review, discuss and approve loans as well as randomly select and review loan accounts from the total portfolio in order to ratify loans that did not require our review before disbursement. We were constantly intrigued (appalled) by the increased request by our members, especially in the areas of mortgage and business enhancement loan applications. We are excited that we not only provide excellent home solutions for our members; the record and our projections demonstrate our magnetic appeal to members who are interested in pursuing entrepreneurial endeavours. This will only result in economic growth, national development and the realization of the 2030 Vision of Jamaica. There was no review of the Credit Policy in 2018. However, we will be making significant changes in 2019 in response to the changing needs of you, our valued members. Our goal, as our tagline boasts is, 'Opening the way to your Financial Success'. The Credit Committee, in keeping with that goal, will continue to search for improvements and ways to provide innovative and attractive loan products, primarily through low interest rates and low-cost financing, to meet the changing and diverse needs of our Members.

Acknowledgement

We wish to express sincere gratitude to the Management and Members of Staff of Gateway Co-operative Credit Union (2017) Limited; their day-to-day involvement made all our strategic plans possible. In particular, we commend the Credit Manager and the Team, for the passion employed in the discharge of their responsibilities. The efforts of all non-credit staff in adopting the "sales culture" were evident in the growth of our Cash Secured portfolio. Of equal or greater import, our valued Members, who demonstrated their commitment to the realization of Gateway goals; indeed, our success would be farfetched if our Members did not believe in us. Thank you and we look forward to serving you in 2019 and beyond, as we continue to open the way to your financial success!



Peter Reid
Chairman



**“Individually, we are one drop.
Together we are an ocean.”**
- Ryunosuke Satoro

Keita Mendes (Chairman); Lorraine Scringer; Autherine Dehaney Archer (Ass. Secretary); Charlene Soares (Secretary); Angella Morris

Report of the Supervisory Committee

For the year ended December 31, 2015

Chairman's Remarks

The Supervisory Committee is comprised of a group of volunteer members who are responsible for certifying that the Credit Union meets and maintains the required mandatory standards that ensure safety and financial soundness of the Credit Union.

The Supervisory Committee's primary responsibility is to ensure that adequate internal operating controls and protocols are established and effectively maintained and that the Plans and Policies, approved by the Board of Directors, along with the operating procedures developed by management are properly administered by the Management Team.

With such a wide-ranging mandate, the Supervisory Committee developed a risk-based Audit Plan and worked assiduously to ensure that Management practices and procedures adequately safeguard the assets as well as interests of members. The Committee also reviews the results of internal audits which are conducted by Centralized Strategic Services Limited (CSS), an arm of the Jamaica Co-operative Credit Union League Limited, and works with Management to monitor Management's commitment to strong internal controls.

Undoubtedly, the achievements of the Supervisory Committee could not be realized without the commitment, diligence and unwavering support of the Internal Auditor.

Throughout the year, the Board of Directors, Management and Staff of the Gateway Co-operative Credit Union (2017) Limited (Gateway) continued to offer their invaluable support, for which we are extremely grateful.

The Committee

At the First Annual General Meeting of Gateway held on September 27, 2018 the following persons were elected to serve on the Supervisory Committee for the year 2018-2019.

Keita Mendes

Charlene Soares

Angella Morris

Lorraine Scringer

Autherine Dehaney-Archer

Mr. Keita Mendes and Miss Charlene Soares were subsequently elected as Chairman and Secretary respectively.

Scope of Review

The Committee provides an independent and objective approach to evaluating and improving the effectiveness of policies and operations of the Credit Union.

Areas Reviewed

During the year, the Committee reviewed the operations of the Credit Union in the following areas and made recommendations for improvements where necessary:

- Ensuring compliance with the tax laws, 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;
- Review adequacy of the Information Technology (IT) System;
- Performing tests on Members' Loans;
- Examining volunteers, employees & related family accounts;
- Assessing Investments & Internal Controls;
- Reviewing Fixed Assets;
- Reviewing the implementation status of Audit Recommendations (ISOARs)

Recommendations were made where deemed

necessary, the implementation of which resulted in improvements in the internal control environment, thus reducing the risk of loss to the Credit Union.

Highlights:

Check for adequacy of IT Assets

Purpose

The purpose of this Report is to give an account to the Board of Directors as to the adequacy of the IT Assets currently being utilized by Gateway as well as its physical security, data storage capacity, level of network access, backup capabilities and accountability of computer assets.

Scope

The Report covered IT assets located at all three (3) Gateway locations.

The review was generally positive.

Surprise Cash Count

Purpose

To verify daily Teller Summary against cash in hand.

Scope

I. The Teller Summary for the day was matched and reviewed.

II. Receipts were checked for the day in order to note shortages/overages where applicable.

The review was very positive.

Check for compliance with Motor Vehicle Loans

Purpose

The purpose of the report is to verify if there is compliance with the Credit Policy and Procedures as it relates to Motor Vehicle loans.

Scope

The scope of this audit included the checking of files of a sample of 50 Motor Vehicle Loans at the Montego and Lucea Branches respectively. The review was very positive.

Check for TTR, STR and POCA Compliance

Purpose

To give an account to the Board of Directors as to the stewardship of Gateway, as it relates to the Proceeds of Crime Act (POCA) and the Terrorism Prevention Act (TPA) and related Regulations.

Scope

The Report focused on Gateway's compliance with the legislative framework (POCA and TPA), specific to the Threshold Transaction Reports (TTRs), 'Listed Entity Reports' and the Suspicious Transaction Reports (STRs).

The review was very positive.

Conclusion

On behalf of my fellow Supervisory Committee members, I commend the Board of Directors, the Credit Committee, the Management Team and Members of Staff in working assiduously at maintaining the standards to ensure that Gateway remains a safe and financially sound Credit Union. While we undertook our duties over the period, your support was felt and recognized and we say thank you. To the members of the Credit Union, we express our gratitude for your vote of confidence. It is our hope that we served you well.

Special thanks to the Internal Auditors at Centralized Strategic Services Limited for their support and contribution in carrying out the

internal audit function and for training in Audit Techniques. Thanks to our members who afforded us the privilege to serve over the past year and we look forward to serving you in the next year. Finally, but by no means least, I would like to thank the hardworking members of this Committee for their sterling commitment and dedication.

God Bless You All

Mr. Keita Mendes
Chairman, Supervisory Committee
Submitted by:



Keita Mendes (Mr.)
Chairman

Report of the Nominating Committee

**TO: Board of Directors-
Gateway Co-Operative Credit Union (2017) Ltd.
FROM: Nominating Committee
DATE: Thursday, May 9, 2019**

The Nominating Committee, as appointed by the Board of Directors of Gateway Co-operative Credit Union (2017) Limited, comprise of:

- Mr. Bryce Grant *Chairman*
- Mrs. Lorna Rampasard *Secretary*
- Mr. Basel McFarlane *Member Representative*

The Committee's responsibility is to nominate to fill the vacancies of volunteers whose tenures have ended. The committee had several meetings to discuss, peruse and nominate from the applications received to fill three (3) vacant positions on the Board of Directors, two (2) from the Credit Committee and all five (5) from Supervisory Committee.

The meetings were held accordingly:

- Wednesday, April 10, 2019
- Wednesday, April 24, 2019
- Wednesday, May 1, 2019
- Tuesday, May 7, 2019
- Wednesday, May 8, 2019

The Nominating Committee received Eleven (11) applications to fill the vacancies; three (3) for the Board of Directors, six (6) for the Supervisory Committee and two (2) for the Credit Committee who also indicated a willingness to serve on other committees. 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 the nominating process. The criteria used for selection included experience, service at the Co-operative level, skills set and other civic or community involvement.

After processing the nominating documents, the following members were nominated to serve in keeping with the quota under the

Governance Structure of the Merger Agreement and the members of the various committees who were retiring. Interviews were only held for the applicants for the Supervisory Committee (Montego) as the number of applications had exceeded the positions to be filled.

The members nominated to serve on the different committees and positions to be filled are listed below:

Board of Directors

Montego Bay	2
Hanover	1

Supervisory Committee

Montego Bay	3
Hanover	2

Credit Committee

Montego Bay	1
Hanover	1

Please find below the recommended distribution of term limit:

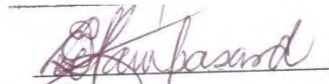
BOARD OF DIRECTORS	
NAMES	RECOMMENDED TERMS (YEARS)
SYNANDRE MONTAGUE-DWYER	3
VINCENT ROSE	3
ALFRED GRAHAM	3

SUPERVISORY COMMITTEE	
NAMES	RECOMMENDED TERMS (YEARS)
CHARLENE SOARES	1
ANGELLA MORRIS	1
AUTHERINE DEHANEY-ARCHER	1
KEITA MENDES	1
LORAIN SCRINGER	1

CREDIT COMMITTEE	
NAMES	RECOMMENDED TERMS (YEARS)
ERROL CHATTOO	2
ANDRENE WILLIAMS	2



Mr. Bryce Grant
Chairman



Mrs. Lorna Rampasard
Secretary



Mr. Basel McFarlane
Member Representative

WE CAN BE RELIED ON FOR OUR

FINANCIAL STABILITY & SECURITY





TEAM MEMBERS ARE COMMITTED TO THE
ORGANIZATION'S

**SUCCESS &
SUSTAINABILITY**



MEET THE GATEWAY FAMILY



The Departments

Administration



Jennifer Taylor-Wilson
Ornell Bedasse
Venetia Campbell

*General Manager Operations
Chief Executive Officer
Executive Secretary*

Finance Department



Tashica Evans-Watson
Careen Sylvester
Michelle Brown
Angillique Owens
Aquille Dennis

*Finance Manager
Accounting Clerk
Chief Accountant
Assistant Accountant
Assistant Accountant (missing)*

Gateway Business House Football Competition



Credit Department - Montego Bay



Danovan Reid
Kenyah Adamson
Kimoya Stewart
Danae Shearer
Tarik Morgan
Saneisha Campbell
Herman Needham

Credit Manager
Credit Officer
Credit Officer- Small Business
Credit Receptionist
Credit Officer
Credit Clerk (missing)
Credit Officer (missing)

Credit Department - Lucea



Ricardo Malcolm
Sherone Henry
Christine Whyte-Sinclair
Carlene Henry

Credit Supervisor
Credit Clerk
Credit Officer
Credit Officer

Credit Union Week

Church Service
Lucea United



Marketing & Sales Department



Nicole Haughton-Johnson
Shamoy Perry
Yanique Spencer
Aimesh Francis
Taimar Nelson
Carol Grant-Barrett
Antoinette Blake

Marketing & Sales Manager (seated)
Marketing & Sales Officer
Marketing & Sales Officer
Marketing & Sales Officer
Marketing & Sales Officer
Marketing & Sales Officer
Marketing & Sales Clerk (missing)

Human Resources & Facilities Department



Beverley Dickson
Sandina Williams
Conroy Facey
Francena McLaren
Ionie Chambers
Sandra Campbell
Brian Coote
Sheryl Pryce
Sharon Lawrence
Manuel Laing

Cleaner
Acting Human Resources Manager
Janitor
Cleaner
Cleaner (missing)
Cook (missing)
Cook (missing)
Assistant Cook (missing)
Office Attendant (missing)
Facilities Officer (missing)



Risk Compliance & Legal Services



Stacy Scott	<i>Securities Officer</i>
Janice Neathly	<i>Risk Compliance & Legal Manager (missing)</i>
Caroline Solomon	<i>Securities Officer (missing)</i>
Romae Pinnock	<i>Risk & Compliance Officer (missing)</i>

Delinquency Department



Althea Smart	<i>Delinquency Clerk</i>
Felecia Spence	<i>Delinquency Manager</i>
Sophia Clarke	<i>Delinquency Officer</i>
Shelly Ann Palmer	<i>Delinquency Clerk (missing)</i>

Credit Union Week

Health Fair Day



IT Department



Altamont King
Othneil Brissett
Noel Brown

Information Technology Manager
Systems Admin
Application Developer/Analyst

Operations Support - Lucea



Ann Marie Kristner-Fraser
Elaine Spence-Clarke
Tasmin Murray
Donnamarie McPherson
Nadine Brissett

Operations Support Supervisor
Bearer
Operations Support Officer
Operations Support Officer
Operations Support Officer

Members Treat
Lucea



Operations Support - Montego Bay



Jacqueline Taylor

Operations Support Supervisor

Shantelle Heaven

Operations Support Officer (missing)

Wendy Adams-Hughes

Operations Support Officer (missing)

Christine Thompson

Operations Support Officer (missing)

Marvin Philips

Bearer (missing)

Member Care Representatives - Lucea



Janelle James

Member Care Rep.

Orville Henry

Branch Ambassador

Shanique Noble

Member Care Rep.

Credit Union Week

Members Treat
Montego Bay



Tellers & Member Care Reps - Montego Bay



Back

Keshia Haughton-O'Connor
Cecelia Wollaston-Blake
Shevannie Smith
Christopher Johnson
Alwin Blake
Shavorn Bailey

Teller
Branch Ambassador
Member Care Rep
Member Care Rep
Teller
Teller

Front

Samanthia Powell
Jodi Ann Anglin
Syreka Wolliston
Peta-Gaye Beckford
Rhamona Mohan-Samuels
Radcliffe Griffiths
Natalie Dodd

Member Care Rep
Teller
Member Care Rep
Teller
Branch Manager
Teller Supervisor (missing)
Receptionist (missing)

Registry Team



Nisheda Gordon
Monique James
Keren Robinson
Camala Stewart-Brissett

Registry Clerk
Registry Clerk
Registry Supervisor
Registry Clerk





Jermie Steele	<i>Teller (seated)</i>
Garvin Lawrence	<i>Teller</i>
Tasha-kaye McMahon-Dias	<i>Teller</i>
Syheedi Eссор	<i>Teller</i>
Adean Campbell	<i>Teller</i>
Shakele Parkes	<i>Chief Teller</i>
Kadian Kerr-Shaw	<i>Branch Manager</i>
Roxan Duncan-Campbell	<i>Teller Supervisor (missing)</i>

Managers



Ornell Bedasse
Chief Executive Officer

Special Member Meeting





Jennifer Taylor-Wilson
General Manager Operations



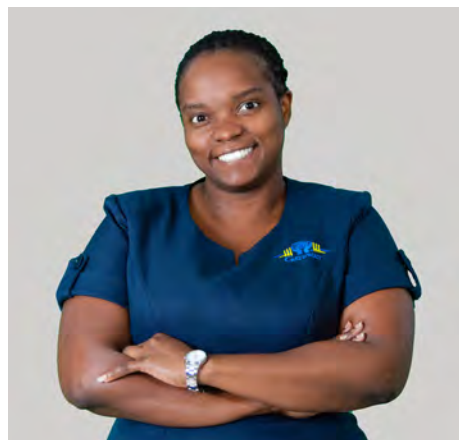
Nicole Haughton-Johnson
Marketing & Sales Manager



Tashica Evans-Watson
Finance Department



Danovan Reid
Credit Manager



Cindy Brown
Auditor



Altamont King
Information Technology Manager



Kadian Kerr-Shaw
Lucea Branch Manager



Felecia Spence
Delinquency Manager



Rhamona Mohan-Samuels
Montego Bay Branch Manager



Sandina Williams
Acting Human Resources Manager

Those Who Served Us During 2018

Board of Directors

Lambert Johnson	<i>President</i>
Rev. Glenroy Clarke	<i>Vice President</i>
Horace Smith	<i>Treasurer</i>
Alfred Graham	<i>Assistant Treasurer</i>
Cleveland Parker	<i>Secretary</i>
Synandre Montaque-Dwyer	<i>Assistant Secretary</i>
Rodcliffe Robertson	<i>Director</i>
Bryce Grant	<i>Director</i>
Vincent Rose	<i>Director</i>

Credit Committee

Peter Reid	<i>Chairman</i>
Vivienne Frankson	<i>Secretary</i>
Errol Chattoo	<i>Member</i>
Earl Green	<i>Member</i>
Andreene Williams	<i>Member</i>

Supervisory Committee

Keita Mendes	<i>Chairman</i>
Loraine Scringer	<i>Deputy Chairman</i>
Charlene Soares	<i>Secretary</i>
Autherine Dehaney-Archer	<i>Assistant Secretary</i>
Angella Morris	<i>Member</i>

Staff

Administration

Ornell Bedasse	<i>Chief Executive Officer</i>
Jennifer Taylor-Wilson	<i>General Manager Operations</i>
Venetia Campbell	<i>Executive Secretary</i>

Finance Department

Tashica Evans-Watson	<i>Finance Manager</i>
Michelle Brown	<i>Chief Accountant</i>

Angillique Owens
Aquille Dennis
Careen Sylvester

Assistant Accountant
Assistant Accountant
Accounting Clerk

Credit Department

Nicole Haughton Johnson	<i>Credit Manager</i>
Danovan Reid	<i>Credit Supervisor</i> <i>Montego Bay</i>
Ricardo Malcolm	<i>Credit Supervisor</i> <i>Lucea</i>
Carlene Henry	<i>Credit Officer</i> <i>Lucea</i>
Christine Whyte-Sinclair	<i>Credit Officer</i> <i>Lucea</i>
Kenyah Adamson	<i>Credit Officer</i> <i>Montego Bay</i>
Herman Needham	<i>Credit Officer</i> <i>Montego Bay</i>
Tarik Morgan	<i>Credit Officer</i> <i>Montego Bay</i>
Saneisha Campbell	<i>Credit Clerk</i> <i>Montego Bay</i>
Sherone Henry	<i>Credit Clerk</i> <i>Lucea</i>
Kimoya Stewart	<i>Credit Officer</i> <i>Small Business</i>

Business Development, Marketing & Sales Dept.

Keith Miller	<i>Bus. Development Marketing & Sales Manager</i>
Salome Scarlett-Thompson	<i>Bus. Development Marketing & Sales Supervisor</i>
Taimar Nelson	<i>Bus. Development Marketing & Sales Officer</i>
Shamoy Perry	<i>Bus. Development Marketing & Sales Officer</i>
Aimesh Francis	<i>Bus. Development Marketing & Sales Officer</i>
Carol Grant-Barrett	<i>Bus. Development Marketing & Sales Officer</i>
Yanique Spencer	<i>Bus. Development Marketing & Sales Officer</i>

Antoinette Blake

*Bus. Development
Marketing & Sales
Clerk*

Human Resources & Facilities Department

Donna Scott	<i>Human Resources & Facilities Manager</i>
Sandina Williams	<i>Human Resources Officer</i>
Manuel Laing	<i>Facilities Officer</i>
Sandra Campbell	<i>Cook</i> <i>Lucea</i>
Brian Coote	<i>Cook</i> <i>Montego Bay</i>
Sheryl Pryce	<i>Assistant Cook</i> <i>Montego Bay</i>
Beverley Dickson	<i>Cleaner</i>
Francena McLaren	<i>Cleaner</i>
Ionie Chambers	<i>Cleaner</i>
Conroy Facey	<i>Janitor</i>
Sharon Lawrence	<i>Office Attendant</i>
Danae Shearer	<i>Human Resources Clerk</i>

Risk Compliance & Legal Services

Janice Neathly	<i>Risk, Compliance & Legal Manager</i>
Caroline Solomon	<i>Securities Officer</i> <i>Lucea</i>
Stacy Scott	<i>Securities Officer</i> <i>Montego Bay</i>
Romae Pinnock	<i>Risk & Compliance Officer</i>

Delinquency Department

Felecia Spence	<i>Delinquency Manager</i>
Sophia Clarke	<i>Delinquency Officer</i> <i>Montego Bay</i>
Shelly Ann Palmer	<i>Delinquency Officer</i> <i>Lucea</i>
Althea Smart	<i>Delinquency Clerk</i> <i>Lucea</i>

IT Department

Brad Clarke	<i>Information Technology Manager</i>
Altamont King	<i>Systems/Network Engineer</i>
Othneil Brissett	<i>Systems Admin</i>
Noel Brown	<i>Application Developer/ Analyst</i>

Branch/ Operations Department

Kadian Kerr-Shaw	<i>Branch Manager</i> <i>Lucea</i>
Rhamona Mohan-Samuels	<i>Branch Manager</i> <i>Montego Bay</i>
Ann Marie Kistner-Fraser	<i>Operations Support Supervisor</i> <i>Lucea</i>
Jacqueline Taylor	<i>Operations Support Supervisor</i> <i>Montego Bay</i>
Keren Robinson	<i>Registry Supervisor</i>
Radcliffe Griffiths	<i>Teller Supervisor</i> <i>Montego Bay</i>
Roxan Duncan-Campbell	<i>Teller Supervisor</i> <i>Lucea</i>
Donnamarie McPherson	<i>Operations Support Officer</i> <i>Lucea</i>
Nadine Brissett	<i>Operations Support Officer</i> <i>Lucea</i>
Tasmin Murray	<i>Operations Support Officer</i> <i>Lucea</i>
Shantelle Heaven	<i>Operations Support Officer</i> <i>Montego Bay</i>
Wendy Adams-Hughes	<i>Operations Support Officer</i> <i>Montego Bay</i>
Christine Thompson	<i>Operations Support Officer</i> <i>Montego Bay</i>
Camala Stewart-Brissett	<i>Registry Clerk</i>
Nisheda Gordon	<i>Registry Clerk</i>
Paul Green	<i>Branch Ambassador</i> <i>Montego Bay</i>
Orville Henry	<i>Branch Ambassador</i> <i>Lucea</i>
Jermie Steele	<i>Receptionist</i> <i>Lucea</i>

Natalie Dodd	<i>Receptionist</i>
	<i>Montego Bay</i>
Cecelia Wollaston-Blake	<i>Telephone Operator</i>
Marvin Philips	<i>Bearer</i>
	<i>Montego Bay</i>
Elaine Spence-Clarke	<i>Bearer</i>
	<i>Lucea</i>
Monique James	<i>Bearer</i>
	<i>Montego Bay</i>

Member Care Representatives

Shanique Noble	<i>Lucea</i>
Janelle James	<i>Lucea</i>
Samanthia Powell	<i>Montego Bay</i>
Christopher Johnson	<i>Montego Bay</i>
Shevannie Smith	<i>Montego Bay</i>
Syreka Wolliston	<i>Montego Bay</i>
Camille Ellis-Clarke	<i>Montego Bay</i>

Tellers- Lucea Branch

Shakele Parkes	<i>Chief Teller</i>
Tasha-kaye McMahon-Dias	<i>Teller</i>
Garvin Lawrence	<i>Teller</i>
Syheedi Eссор	<i>Teller</i>
Adean Campbell	<i>Teller</i>
Lajay Chambers	<i>Teller</i>

Tellers- Montego Bay

Melissa Lawrence	<i>Chief Teller</i>
Petagaye Beckford	<i>Teller</i>
Daneille Wiles	<i>Teller</i>
David Craig	<i>Teller</i>
Shedene Campbell	<i>Teller</i>
Keshia Haughton	<i>Teller</i>
Shaquille Brown	<i>Teller</i>
Tashna Lyle	<i>Teller</i>
Shavorn Bailey	<i>Teller</i>
Antoie Thompson	<i>Teller (Contract)</i>





WE ARE
**OPEN,
HONEST &
ACCOUNTABLE**
TO OUR STAKEHOLDERS

Obituaries

We wish to register our sympathy to all the relatives of the following deceased members who left us in 2018. The list is set out below.

Abigail McNarrin
Adassa Currie
Advira Myles
Ainsley Smith
Alfred Spence
Allan Heath
Allan James
Allan Mckenzie
Almena Coley
Annmarie Johnson
Anquinetta Jarrett
Anthony Cowhall
Audrey Jackson
Ayon Brown
Barbara Sharpe
Beverley Blake-Ellis
Blossom Currie
Blossom Spence
Calvin Forbes
Caranetia Bell
Careen Clarke-Williams
Carl Warren
Carmen Irving
Carmen McBean
Caroline Cooper
Cecil Edwards
Cecil Edwards
Cecil Williston
Cedell Roberts
Chad Mckenzie
Charline Sterling
Christiana Edmondson
Christine Campbell
Clara Powell
Clarissa Walters
Clinton Davis
Clive Jackson
Clive Small
Cordell Petgrave
Courtney Malcolm
Daniel Brown
Daphne Forbes
Dean Barrett
Derrick Harvey
Desmond James

Desmond McPherson
Donte Ricketts
Doris Campbell
Doris McHayle
Dorrel Marston
Dorris Frame
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Winston Wallace
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Products and Services

Savings

Shares
Ordinary Deposits
Solid Saver
Treasure Chest Account

Other Investments

Fixed Deposits
Golden Harvest
Smart Partner Plan
Christmas Partner Plan

Services

Loan Protection and Life Savings Insurance
Standing Order
Financial Counseling
Family Indemnity Plan
Motor Vehicle Insurance
ATM Debit
Group Creditor Life
Group Personal Accident Plan
Members Group Life Plan

Low Cost Loans

Education
Motor Vehicle
Land Acquisition
Debt Consolidation
Unsecured
Home Equity
Agricultural
Mortgage
Personal

OPEN THE GATEWAY TO A

**BRIGHT
FUTURE**



PRAYER OF ST. FRANCIS OF ASSISI

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

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

NATIONAL ANTHEM

Eternal Father bless our land,
Guard us with Thy Mighty Hand,
Keep us free from evil powers,
Be our light through countless hours.
To our Leaders, Great Defender,
Grant true wisdom from above.
Justice, Truth be ours forever,
Jamaica, Land we love.
Jamaica, Jamaica, Jamaica land we love.

Teach us true respect for all,
Stir response to duty's call, strengthen us the weak to cherish,
Give us vision lest we perish.
Knowledge send us Heavenly Father,
Grant true wisdom from above.
Justice, Truth be ours forever,
Jamaica, land we love.
Jamaica, Jamaica, Jamaica land we love.



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