



COK SODALITY CO-OPERATIVE CREDIT UNION LTD.

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ANNUAL REPORT 2014

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NOTICE

Notice is hereby given that the 48th Annual General Meeting of COK Sodality Co-operative Credit Union Limited will be held on Wednesday, May 6, 2015, at the Jamaica Conference Centre, starting at 1:00 p.m. Registration commences at 12:00 noon.

Take further notice that at this meeting COK Sodality intends to have resolutions passed to address or amend rules relating to the following:

- Change in the minimum Permanent Share requirement
- When a person ceases to be a Member
- Additional grounds for expulsion
- Loans to employees
- Treatment of loans for Charge-off

Christopher Robinson
Secretary
April 2015

AGENDA

1. Ascertainment of Quorum
2. Call to Order & Notice of Annual General Meeting
3. Opening Prayer
4. Obituaries
5. Welcome & Apologies
6. Adoption & Confirmation of Minutes of the 47th Annual General Meeting
 - Matters Arising
7. Reports
 - a. Board of Directors
 - b. Treasurer and Auditors
 - Presentation of Budget
 - c. Credit Committee
 - d. Supervisory Committee
 - e. Delegates to the Jamaica Co-operative Credit Union League's (JCCUL) AGM
 - f. Delegates to the Jamaica Fishermen Co-operative Union Limited's AGM
8. Fixing of Maximum Liability
9. Elections
 - a. Appointment of Returning Officer
 - b. Nominating Committee's Report
 - c. Election of:
 - i. Board of Directors
 - ii. Credit Committee
 - iii. Supervisory Committee
 - iv. Delegates to the JCCUL
 - v. Delegates to the Jamaica Fishermen Co-operative Union Limited.
 - vi. Delegates to the Jamaica Co-operative Insurance Agency (JCIA)
10. Resolutions
11. Any Other Business
12. Termination

CORPORATE PROFILE

THE CITY'S CREDIT UNION

The then City of Kingston Co-operative Credit Union Limited (COK), was incorporated in October 1967 in response to the need for an inclusive credit union that offered membership to citizens of Kingston and St. Andrew. This was essential as, although there were some 130 credit unions at the time, membership was restricted to specific professions or church groups. The COK concept meant that, for the first time, people could join a credit union once they were residents of the Corporate Area.

The visionaries behind COK's early days, along with CUNA Mutual, the Registrar of Co-operatives and the Jamaica Co-operative Credit Union League, each played an important role in nurturing the burgeoning credit union. COK held its first Annual General Meeting on November 24, 1967 with 13 members with total shares of sixty pounds, which then was equivalent to Jamaican \$120.

HISTORIC OCCASION

November 1, 2009 marked an historic occasion as COK, long regarded as the largest credit union in membership in both Jamaica and the English-speaking Caribbean, merged with the credit union hailed as the pioneer of the movement being the oldest credit union – Sodality Co-operative Credit Union Limited. As such, the new institution is now the COK Sodality Co-operative Credit Union Limited ("Credit Union" or "Society" or "COK Sodality").

With the merger, it should be noted that among the key benefits afforded to COK Sodality is the extension of a bond that, for the first time in the history of the movement, is both community-based (geographical) and associational (based on affiliation). This means that COK Sodality's membership is open to:

- a) Persons of the universal catholic faith (believing that Jesus Christ is resurrected Lord)
- b) Persons working or living in Kingston & St. Andrew
- c) Employees of the Society
- d) Relatives of members who qualify under (a) and (c) aforementioned, provided that relatives include Mother, Father, Brother, Sister, Son, Daughter, Aunt, Uncle, Husband, Wife, Niece, Nephew and Grandparents; and

- e) Members of other co-operatives

GOVERNANCE

While COK Sodality is led by a member-appointed Board of Directors headed by its first female President Miss Carol Anglin, the daily operations of the Credit Union are the responsibilities of the management team led by Chief Executive Officer, Mrs. Jacqueline Mighty, who during 2014 was adeptly supported by Senior Managers Linda Miller, Desmond Foster, the late Lloyd Black and seventeen administrative/ Branch managers.

COK Sodality, at the end of December 2014, managed over \$7.5B in Assets, \$6.5B in Savings and \$5.2B in Loans on behalf of over 264,000 members through a branch network of 5 locations – 2 in the Kingston Metropolitan Region (Half- Way-Tree & Cross Roads), and one each in Portmore, Mandeville and Montego Bay.

PRODUCT OFFERINGS

In addition to its wide and balanced menu of loan facilities and savings/investment plans, the Credit Union operates a Micro Finance Centre, offers Individual Health Insurance, an Approved Retirement Scheme (ARS) packaged as the COK Pension Plan, notable the oldest ARS in the island, remittance services through the COK Remittance Services Limited as well as, Cambio operations which has been in existence for over 20 years through COK Exchange Cambio Services.

As COK strives to expand and offer superior service to its membership in Jamaica and the diaspora, the Credit Union has formed alliances/ forged partnerships, for example with Paymaster, signed memoranda of understanding with Credit Unions in the wider Caribbean and South Florida as well as acquired shares in MoneyMasters Limited, a licensed securities dealer.

MISSION

COK Sodality takes its mission of 'improving the well-being of its members' seriously and with 'One Voice' uses this medium to thank all its members for their continued support and pledges its ongoing commitment to assist them to achieve their goals faster, by building the ideal product solutions around them.

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MINUTES OF THE ANNUAL GENERAL MEETING

MINUTES OF THE FORTY-SEVENTH ANNUAL GENERAL MEETING OF COK SODALITY CO-OPERATIVE CREDIT UNION LIMITED HELD ON WEDNESDAY, MAY 7, 2014 AT THE JAMAICA CONFERENCE CENTRE COMMENCING AT 1:30PM

ASCERTAINMENT OF QUORUM AND CALL TO ORDER

Having ascertained from the Chief Executive Officer, Mrs. Jacqueline Mighty, that 196 persons were registered and in attendance and that the COK Sodality Co-operative Credit Union Annual General Meeting (AGM) was legally constituted as per Rule 61 Section i (d), the President Ms. Carol Anglin, Chairman, called the Forty-seventh AGM to order at 1:30pm.

READING OF NOTICE CONVENING THE MEETING

Mr. Christopher Robinson, Secretary, read the notice convening the Meeting which complied with Rule 60 of the COK Sodality Co-operative Credit Union Rules. He stated that the Notice of the AGM was first published on April 23, 2014 in the Observer newspaper and posted in all COK Sodality Branches.

OPENING PRAYER AND OBITUARIES

Prayer was offered by Msgr. Michael Lewis, which was followed by the Prayer of St. Francis of Assisi. The meeting observed a minute's silence for members who departed during the year as were outlined on pages 58 to 60 of the Annual Report Booklet. The COK Sodality Choir gave a rendition of the Lord's Prayer.

WELCOME AND INTRODUCTION

The President, Ms. Anglin extended a warm welcome to everyone, and outlined the Parliamentary procedures to be observed for the meeting.

Ms. Anglin reminded the meeting of the Credit Union's theme for 2013, which was "One Goal, One Aim, One Destiny - Moving Forward Together"; which was selected in an effort to get Staff and Volunteers to focus all their energies and attention on achieving the targets for 2013 and beyond.

She said the year proved to be another challenging one and literally stretched the Credit Union's capacity to deliver on the targeted performance. The growth path had commenced and the intention was to keep it that way even with the 2014 challenges. The Credit Union would continue to present the products and services needed by members, attractive rates to ease the burden, and improving the well-being of all while sustaining the Credit Union's improving position.

Ms. Anglin introduced the members on the platform as follows:-

Msgr. Michael Lewis	- Vice President
Mr. Steadman Pitterson	- Treasurer
Mr. Christopher Robinson	- Secretary
Dr. Karen Asher Osbourne	- Assistant Secretary
Mr. Al Chambers	- Director
Mrs. Debbie-Ann Gordon Crawford	- Director
Mrs. Jacqueline Mighty	- Chief Executive Officer (CEO)

Members of the Supervisory and Credit Committees who were present were also acknowledged and welcomed to the meeting.

WELCOME TO SPECIALLY INVITED GUESTS

Mrs. Jacqueline Mighty extended welcome to the following specially invited guests:-

Mr. Errol Gallimore	- Department of Co-operatives & Friendly Societies (DCFS)
Ms. Lisa Miller	- DCFS
Ms. Tanisha Facey	- DCFS
Ms. Vera Lindo	- Jamaica Co-operative Credit Union League (JCCUL)
Mr. Derrick Tulloch	- President, JCCUL
Ms. Phillipa Beckford	- CMFG Life Insurance
Mr. Oswald Clarke	- CMFG Life Insurance
Mr. Wilbert Spence	- Auditor, KPMG
Mr. Mark Hill	- MoneyMasters Ltd (MML)
Mr. Fitzgerald Rowe	- St Elizabeth Co-operative Credit Union
Mr. Albert Morris	- Honorary Director COK Sodality
Mrs. Margaret Morris	- Member, COK Sodality
Father Gerry McLaughlin, S.J.	- Foundation Member, COK Sodality

MINUTES OF THE ANNUAL GENERAL MEETING Cont'd.

Mr. Courtney Wynter - Former Chief Financial Officer, COK Sodality
 Mr. Lenworth Tracey - Nominee to COK Sodality Credit Committee
 Mr. Basil Lue - Member, COK Sodality Education Committee
 Ms. Beverley Cole - Stenographer

Mr. Ralston Hyman - Member, COK Sodality Credit Committee
 Mrs. Catherine Gregory - Member, COK Sodality Credit Committee
 Mrs. Carol Williams - Member, COK Sodality Credit Committee
 Mrs. Lorraine Stewart - Member, COK Sodality

Mrs Mighty acknowledged that Teacher's Day celebrations were being held; and in support of the teachers recognized and saluted the teachers in attendance.

Special welcome was also extended to the children, C.A.R.E.S. savers with COK Sodality, attending the AGM as observers.

APOLOGIES FOR LATENESS

Mrs. Mighty advised that apologies for lateness were received from the following persons:-

Mr. Joscelyn Jolly - Former Director, COK Sodality
 Bishop Burchell McPherson - Member, COK Sodality Nominating Committee
 Mr. Deryke Smith - Director, COK Sodality
 Ms. Marjorie Shaw - Director, COK Sodality

APOLOGIES FOR ABSENCE

Apologies for absence were received from the following:-

Mr. Trevor Blake - Director, COK Sodality
 Mr. Glenworth Francis - Group Chief Executive Officer JCCUL
 Mrs. Susan Thompson - Chief Operations Officer JCCUL
 Mr. David Wan - CMFG Life Insurance
 Ambassador Aloun Ndombet-Assamba - Former Board Member and GM, COK Sodality
 Mr. Neville Rhone - Former GM, COK Sodality
 Mrs. Donna Parchment Brown - Trustee, COK Pension Scheme
 Mr. Michael Martin - Former Board Member, COK Sodality

ADOPTION AND CONFIRMATION OF MAY 2013 AGM MINUTES

The Minutes having been circulated were taken as read on a motion moved by Mr. Garth O'Sullivan and seconded by Mr. Livingston Young.

The Secretary, Mr. Christopher Robinson, drew the meeting's attention to the Errata Sheet which was circulated along with the Annual Booklet. The following amendments were highlighted from the Minutes:

Page 9 Discussion of the Board of Directors' Report, line 7, should read, "large companies, where members with loans were employed".
 Page 12 Report of the Supervisory Committee, 5th paragraph, 3rd line, change the word "second" to "seconded".
 Page 30 Treasurer's Report, 1st column, under the heading "Debt Management Plan", 2nd paragraph line 10, should read "...in an effort to make repayments more affordable to assist in keeping their accounts current."
 Page 32 Treasurer's Report, 2nd column, insert the word "Provisions" as the heading; and in the 1st paragraph, last line, should read "...down from 10.55% in 2012."
 Page 34 Treasurer's Report, 2nd column, under the heading "Grow Income", 2nd line, change "rebound" to "redound".
 Page 49 Report of Supervisory Committee, under the heading "Committee Performance", 5th line, change "Planning" to "Policy".
 Page 53 Delegates Report Jamaica Co-operative Credit Union League, 1st column, 4th paragraph, 3rd line, change "2011" to "2013".

The Motion for the adoption and confirmation of the Minutes was moved by Mr. Lorenzo Barrett and seconded by Mr. Corey Spaulding.

MINUTES OF THE ANNUAL GENERAL MEETING Cont'd.

MATTERS ARISING FROM THE MINUTES

Delinquency

In response to an enquiry from Mr. Michael Burke for an update on delinquency, Mr. Robinson directed his attention to Page 15 - Referrals from the Minutes of May 8, 2013, which gave an update.

Mr. Garth O'Sullivan pointed out that co-makers and liaison officers assisted in the past in disclosing information on members with loans at their work-places who they co-make for, and the programme worked properly, particularly when there was planned retrenchment. This assisted with tracking the members whose whereabouts were difficult to locate. He enquired if this programme could be re-looked at.

Mr. Michael Burke added that every member has to become involved in addressing delinquency within the Credit Union. The Credit Union he said has to find a way to advise the members of the importance of repaying their loans.

Improving Communication

Mr. Garth O'Sullivan opined that communication could be improved if sound was provided on the monitors displayed in the branches so the members can hear the information being shared on the products and services.

Mr. Michael Burke added that the system could also be used to educate the members by communicating the importance of their loan repayments to the Credit Union's operations, assist with highlighting delinquency and help to motivate and recruit volunteers to serve the Credit Union.

Computer Equipment expenditures

Mr. O'Sullivan asked if the observation made about the significant amount of approximately 18% of earnings being spent on computer equipment was addressed by the Management.

Mr. Robinson responded that all expenses were reviewed by Management and the Treasurer's Report for the year would reveal that a very tight expense management had been employed in the Credit Union.

Mr. Robinson expressed thanks for the important points that were raised. He noted that it was the desire of the Board to get everyone to assist in the collection efforts of the Credit Union, and urged the members to contribute in this area.

There being no further matters for discussion from the Minutes. Vice President, Msgr. Michael Lewis assumed the Chair for the presentation of the Board of Directors' Report by President, Ms. Carol Anglin.

REPORTS

Board of Directors

The motion for the Board of Directors Report to be taken as read was moved by Mr. Garth O'Sullivan and seconded by Mr. Lorenzo Barrett.

Overview

The President stated that the Credit Union positioned itself in the market-place as the financial institution of choice to empower ambitious hardworking individuals in realizing their personal life aspirations. The Credit Union continued the implementation of its 5-year strategic plan which featured key phases of consolidating operating efficiency and effectiveness; market push for growth and margins; turnaround and preservation of preferred position in the market. The year 2013 was the mid-point of the strategic plan, wherein the institution should have intensified its efforts to attain top and bottom-line growth. However, externalities in the wider economy created significant challenges that adversely affected performance. She said performance for 2013 was better than the preceding year, particularly, in the areas of new product development and delinquency management, but areas for improvement remained.

The President mentioned that as the organization strives to deliver improved performance in the short to medium term, the Credit Union would continue to balance aggressively growing the business; prudently managing resources and capabilities for optimal performance, and implement appropriate monitoring and control mechanisms.

The Credit Union recorded growth in Total Assets of approximately \$15.6M, moving from \$7.1B to \$7.12B. Gross Loans grew by \$474.9M, moving from \$4.2B to \$4.6B; whilst Net Savings grew by approximately \$40.0M.

MINUTES OF THE ANNUAL GENERAL MEETING Cont'd.

Investment went down by 19%. COK Sodality continued its drive to strengthen and secure its capital base, by increasing compliance with Permanent Shares and achieving a surplus

Loan Growth

The Credit Union continued in earnest to focus its efforts on growing the business resulting in loan disbursements achieving 92% of the target for the year. In order to fund the growth in loans, there had to be a restructuring of the investment portfolio by 19% from \$2.3B to \$1.9B. Liquidity surpassed the minimum recommended by the PEARLS standard and reflected a strong potential to fuel growth in terms of loans and income generation for 2014.

Operations

Being mindful that the members have been negatively impacted by the broader macroeconomic structural adjustments, we continue to keep their well-being the central focus of product development. This resulted in new and revamped products being introduced to the market, competitive rates offered on products and services, improved member-care, as well as staff development. A number of special initiatives were executed such as, automation of processes, service delivery and member access points; Champion Saver and the Debt Consolidation products promotion; expansion of the Remittance Partners; revamp and automation of the credit processes to improve efficiency; further enhancements to the debt collection process; re-design and re-launch of the Credit Union's website and internet banking development and upgrade of our telecommunications system to our membership.

Improving Service to Members and Communication

The Board having noted all the concerns raised by members at the 2013 Annual General Meeting, prepared a comprehensive customer service framework for implementation on a phased basis throughout the organization.

This framework was intricately tied to member-care delivery with the intention to improve the quality of engagement with stakeholders and included the use of multiple communications channels such as email, text messages, internet, video screens, and COK Mobile Apps as well as members meetings held in Kingston, Montego Bay and Mandeville.

Social and Corporate Responsibility

We supported various outreach efforts in communities surrounding our branches in Kingston, Portmore, Mandeville, and Montego Bay. Our commitment was underpinned by the dual mantra of wellness in personal and financial health and was achieved through donating to and sponsoring of activities and events in the areas of community development, sports and agriculture; sharing essential information on wellness and healthy living.

COK Sodality over the years has contributed directly and indirectly to the educational pursuits of our youth at the basic, primary, secondary and tertiary levels. In 2013, we provided 23 scholarships amounting to \$565,000.00 to our members' children attending educational institutions. This was done through the Bertie Morris Scholarship, Carter Carter Scholarship and Trevor Blake Scholarship.

Surplus and Distribution

The Credit Union having made a surplus of \$5.1M for the year 2013 and due to the accumulated losses as at December 31, 2013, had to apply the entire surplus to reduce the accumulated losses as per the instructions from The Registrar of the Department of Co-operatives and Friendly Societies (DCFS). The Board is being very judicious and prudent in its approach to aggressively grow the Credit Union out of its deficit position in the short-term, bearing in mind that our deferred shares mature in 2016.

Delinquency Management

The Board through its Debt Management Committee (DMC) and its Debt Management Unit (DMU) continue to provide oversight and monitoring of this very critical area in the organization's operations. The delinquency management philosophy balanced the need to service the members, the harsh economic effects that they increasingly endure and the imperative to mitigate risks to the organization.

MINUTES OF THE ANNUAL GENERAL MEETING Cont'd.

Various approaches to manage delinquency during the review period yielded satisfactory results.

The number of delinquent accounts declined from just over 1,900 in 2012 to approximately 1,690 in 2013, with principal arrears totaling \$163.2M in 2013, down from \$182.6M in 2012; recovery of approximately \$44.9M from bad debts previously charged-off, an increase of \$11.4M more than that collected in the previous year.

Charged-off Accounts

A provision of \$53.7M, for accounts with arrears in excess of 365 days which are required to have 100% provision of the principal value, was made in the accounts, representing 33% of the total \$163.2M of arrears. During the year, \$44.9M was collected from balances which were charged-off in previous years. In keeping with our Rules, Rule 38 (i) the Directors hereby present, for the Meeting's approval, to treat them as Charged-off Loans. Of note, during the year, \$44.9M was collected from balances which were charged-off in previous years.

The audited accounts state that the estimated fair value of the collateral held against past-due impaired loans at December 31, 2013 was \$191.1M. This being the case, there is scope for recovery of some of these bad debts from the disposal of collaterals. However, until the cash flows back into the Credit Union from the sale of these collaterals, these associated loans cease to earn interest income for the organization.

Notable Legal Issue

Included in the Receivables was an amount of \$58.2M relating to the remaining balance from a Cambio Trading Partner for its default on a transaction. Efforts to recover the outstanding amounts were diligently being pursued and were at an advanced stage of conclusion, having now received an offer for full and final settlement for the debt. Management is in the process of finalizing the settlement and it is expected that full and final settlement will be received during the financial year 2014. It is the opinion of our attorneys that the Credit Union's interest is well-secured and no provision has therefore been made in the accounts for this balance.

Human Resources

In 2013 the Credit Union sought to streamline and strengthen its human resource capabilities to make it more innovative and flexible while developing a stronger and more unified corporate culture to aid in the delivery of our wide range of products and services to meet the ever-changing needs of our members. There were 224 persons employed to the organization at the end of December 2013 as follows: 114 Permanent Staff; 105 Contracted /Temporary Staff and 5 H.E.A.R.T. Trainees. There were a number of resignations, employment and appointments. Miss Linda Miller and Ms Roshene Betton joined the organization as Chief Operations Officer and Legal Counsel respectively and Mrs. Claudine Scott replaced Mrs Lorraine Green DaCosta as Marketing Manager.

COK Remittance Services Ltd. (COKRS)

The COKRS, an agent for a number of remittance companies operating out of the Cayman Islands, United States of America and Europe, is in its fifth year of operation. The performance trajectory of COKRS was encouraging as the company reduced its losses by 46% when compared to 2012.

MoneyMasters Limited (MML)

MML is an associate of COK Sodality as a result of the Credit Union acquiring 25% of its ordinary shares in August 2010. There was a net return to date of approximately \$700,000.00, representing a return of roughly 3% and is the Credit Union's portion of the share of profits/losses made in the last three years.

Corporate Governance

The Board of Directors continued throughout the year to review the operations and subsidiary activities of the Credit Union through the various committees of the Board. They ensured compliance of the Credit Union's operations and subsidiary activities and where necessary approved and implemented policies and procedures designed to improve the monitoring, controls and accountabilities within the organization.

MINUTES OF THE ANNUAL GENERAL MEETING Cont'd.

Impending BOJ Credit Union Regulation

The Jamaica Co-operative Credit Union League was awaiting the draft BOJ Credit Union Regulations having arrived at an agreed position on the outstanding issues.

Credit Bureau

In April 2013, the Board approved the participation as a Credit Information Provider to the two currently licensed Credit Bureaus operating in Jamaica - Credit Info Jamaica Limited and CRIF NM Credit Assure.

The Way Forward

Despite formidable shocks, the Credit Union strengthened its balance sheet in 2011; improved the PEARLS financial metrics in 2012; grew and diversified income from existing and new products, whilst containing delinquency in 2013.

The aim for 2014 and 2015 was to further consolidate these performance gains to realize the capital base targets for 2016. From all indicators, the road ahead will require nibble stewardship to attain the Credit Union's objectives as the wider economy will continue to pose significant challenges for the members in 2014. The members were implored to renew their commitment to the institution by supporting the many initiatives that are geared to meeting their needs and assuring the long-term viability of the Credit Union.

The Board of Directors would continue to improve the organization's performance and secure its continued relevance and value in the increasingly competitive and harsh economic environment. This will be done by being compliant with regulations, honouring our values of being safe, caring, knowledgeable and accessible. In 2014, we will grow surplus by continued growth of our loan portfolio, we will contain delinquency, employ a laser-like focus on cost management initiatives; and through organic growth and consolidation transform the Credit Union into a high performance financial entity.

Acknowledgement

The President expressed appreciation to the volunteers, management and staff, liaison officers, regulators, providers of professional services and all who have assisted COK Sodality in conducting its affairs over the past year. She conveyed thanks to the valued members for the confidence they continue to repose in the Board as they strive to serve the organization.

DISCUSSION OF BOARD OF DIRECTORS' REPORT

In response to Mr. Trevor Jennings' enquiry on what assistance the Credit Bureau provides Msgr. Lewis indicated that the Credit Bureau system assisted the Credit Union in assessing the creditworthiness of the members applying for loans.

Msgr. Lewis thanked everyone for their participation in the deliberations and closed the segment of the meeting.

The motion for the adoption of the Board of Directors' Report was moved by Mr. Garth O'Sullivan and seconded by Mr. Livingston Young. The motion was unanimously carried.

Performance

The Treasurer, Mr. Steadman Pitterson in presenting the report stated that despite all the negatives in 2013, the Credit Union recorded a net surplus of \$5.1M. This was a significant improvement over the previous year when a loss of \$126.0M was recorded. A net surplus of \$51.1M could have been achieved had it not been for the National Debt Exchange (NDX) impacting our performance, as \$46M had to be written-off the investment income.

Loan Portfolio

The Treasurer said the loan portfolio grew by \$475M to end the year at \$4.63B, surpassing the budget by \$28.1M. To grow the loan portfolio, a Debt Consolidation Loan was offered during the second half of 2013 which contributed approximately \$150M of the \$475M growth in the loan portfolio. Disbursements for 2013 were \$2.662B representing the second highest disbursement to date. Interest income on loans grew by \$84M.



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MINUTES OF THE ANNUAL GENERAL MEETING Cont'd.

Bad Debt Provision and Delinquency

There was a reduction in the level of Bad Debt provision by \$50M. There was a shortfall of \$17M in the projected Bad Debt Recoveries. As at the end of December 2013 the delinquency rate was 9.83%, against 10.55% in 2012. The Debt Management Unit recovered over \$45M of the planned \$62M. Improvements continued to be seen in this area, however there was still much work to be done to reverse the negative trends of prior years.

Operating Costs

Operating costs for the year declined by \$10.5M over the previous year, reflecting the outcome of diligent execution of the cost management initiatives, despite the inflationary pressures on all cost drivers.

Balance Sheet

The balance sheet grew by \$16M in 2013. The growth fell short of target primarily as the savings target was not achieved.

Investments

The investment portfolio at the end of 2013 was \$1.9M which represented a reduction of approximately \$440M when compared to the balance at the end of 2012. Interest income from investments surpassed budget by \$14.4M.

Savings & Deposits

The savings portfolio increased marginally in 2013 to \$6.25B compared to \$6.21B in 2012. Interest expenses on deposits decreased by \$36M when compared with 2012. This was as a result of the reduced investment rates, post NDX.

Membership

The Credit Union's Adult membership grew by 5,611 in 2013. The children accounts, CARES, grew by 2,299 in 2013. Permanent Shares increased by \$19M to \$380.6M when compared to 2012. Membership compliance increased to 58.22%.

The Way Forward

The Treasurer stated that the Credit Union was on a path of growth, having addressed the internal weaknesses of the past. A new streamlined credit assessment process was implemented and this along with the use of the services of the Credit Bureaus should see an improvement in the loan quality being added to the portfolio. The Credit Union remained committed to providing financial assistance to its members in a cost effective and efficient manner. He said the primary focus in 2014 would be:-

- The continued growth in savings and loans which will redound in growth in revenues and assets.
- To increase capital by \$107M resulting in a Capital Adequacy Ratio of 8.5%.
- To become more competitive and drive volumes in specific loan products.
- To continue to make cost containment a culture within the Credit Union with emphasis on efficiency management.

The Credit Union he said was a safe repository for savings, and despite the fragile environment in which it currently operates and the modest surplus of 2013, remained very positive in the ability to play an important part in fostering financial independence and creating wealth for the members. COK Sodality was well positioned to return to sustainable profitability despite the various challenges associated with operating in a highly competitive environment.

At this point the Treasurer invited Mr. Wilbert Spence from the auditing firm KPMG to read the Auditor's Report. He stated that the firm audited the financial statements of COK Sodality Co-operative Credit Union Limited and the subsidiary and it was the opinion of the auditing firm that proper accounting records and financial statements were duly vouched and in accordance with the provision of the Co-operative Societies Act.

In concluding the report, the Treasurer thanked the Management and Staff for remaining steadfast in their duties to the organization, as well as the cadre of volunteers who unselfishly gave of their time and talent, and were very forthcoming with ideas and suggestions about improving the Credit Union.

MINUTES OF THE ANNUAL GENERAL MEETING Cont'd.

He also thanked the Department of Co-operatives and Friendly Societies and the Jamaica Co-operative Credit Union League for their guidance and support during the year. He thanked the Auditors, KPMG, who conducted and completed their audit in a timely manner thereby enabling the submission of the financial statements within the stipulated timeframe; and the members for their continued support and the opportunity to have served in this capacity in 2013.

There being no questions, a motion for the adoption of the Reports was moved by Mr. Courtney Wynter and seconded by Mr. Trevor Jennings. The motion was unanimously carried.

REPORT OF THE CREDIT COMMITTEE

The motion for the Credit Committee Report to be taken as read was moved by Mr. Garth O'Sullivan and seconded by Mr. Erell Crooks.

The Chairman, Mrs. Donna Pommells in presenting the report indicated that the Committee exercised their oversight responsibility for all loans at the Credit Union; and in this regard met fortnightly to review loan applications and also randomly selected and reviewed loan accounts from the total loan portfolio.

Mrs. Pommells mentioned that in 2013 the Credit Union faced major internal and external challenges. The heightened competition in the marketplace required COK Sodality to make changes to its products and occasionally granting concessions and waivers in order to remain competitive. Despite the challenges, the Credit Union ended the year attaining 91.7% of the loan disbursement budget.

She stated that the increased cost of living resulted in an increase in demand for personal loans as consumers struggled to cope and the Credit Union was able to assist its members in addressing their needs through its various loan offerings. She urged the members to exercise a greater degree of personal responsibility in honouring their obligations, as well as, taking advantage of the opportunities that exist to enhance their earning capacity.

In concluding, Mrs. Pommells encouraged the members to join the volunteers, employees, management and other stakeholders in the efforts to reclaim the number one position.

Mrs. Pommells thanked the members, fellow volunteers, Staff and Management for the support during the year.

There being no questions, a motion for the adoption of the Report was moved by Mr. Erell Crooks and seconded by Mr. Garth O'Sullivan. The motion was unanimously carried.

REPORT OF THE SUPERVISORY COMMITTEE

The motion for the Report to be taken as read was moved by Mr. Trevor Jennings and seconded by Mr. Errol Gray.

The Chairman, Ms. Herma Walker in presenting the report noted that the Committee ensured that the Management and Board carried out their functions in accordance with the policies and rules of the Credit Union and Co-operative Societies Act. Regular reviews of the Credit Union's operations were conducted and monthly reports of the findings and recommendations were submitted to the Management and Board.

Ms. Walker stated that the Committee conducted their reviews in accordance with International Auditing Standards and best practices; and found that there were general adherence to the established policies, procedures and internal controls. There was compliance with the related laws and regulations that govern the Credit Union's operations. Recommendations were made where deemed necessary, the implementation of which resulted in improvements to the internal control environment, thus reducing the risk of loss to the organization.

She said the suggestions received from the members were brought to the Management's attention where they were given the appropriate attention. There was however a reduction in suggestions which seemed to indicate that the members might not be utilizing the suggestion boxes across the branch network.

In closing, Ms. Walker implored the members to continue to work together to build the Credit Union as they continue to invest in their future.

Ms. Walker expressed thanks to the members, Board, other volunteers, Management and Staff for their assistance during the year 2013.

There being no questions from the Report, the motion for the adoption of the report was moved by Mr. Basil Lue and seconded by Mrs. Donna Pommells. The motion was unanimously carried.

MINUTES OF THE ANNUAL GENERAL MEETING Cont'd.

REPORT OF DELEGATES TO JAMAICA CO-OPERATIVE CREDIT UNION LEAGUE (JCCUL)

Mrs. Jacqueline Mighty presented the Report of Delegates to JCCUL which was taken as read on a motion moved by Mr. Garth O'Sullivan and seconded by Ms Dianne Fraser.

Mrs. Mighty stated that the 72nd Annual General Meeting (AGM) of JCCUL was held at the Ritz Carlton Golf & Spa Resort in Montego Bay May 16 to 19, 2013 under the theme "Renewed, Repositioned, Reshaping the Movement for the Future".

She mentioned that this was the first AGM following the transformation of JCCUL into a consolidated entity and it generated much interest. One of the highlights of the AGM was the Annual Awards Dinner with Professor Trevor Munroe as the guest speaker.

Mrs. Mighty advised that the details were outlined on pages 53 to 54 of the Annual Report.

QUESTIONS FROM THE DELEGATES' REPORT

Mr. Erell Crooks suggested that JCCUL could consider lobbying the Government for a cheque clearing-house within the Movement, instead of utilizing the banks' facility. Mrs Mighty advised that discussion was being held in that regard.

Mr. Derrick Tulloch, President of JCCUL advised that discussion was being held with Government for implementation of the Jamaica Electronic Payment System (JCUES) which would facilitate an electronic payment system within the Movement.

When asked by Mr. Trevor Jennings about the magnitude of the Rule Changes at JCCUL's AGM, Mrs. Mighty clarified that these were required as there was a change in the governance structure of the JCCUL to make it a Group comprising four entities including co-operatives and companies. These entities have their own Boards and governance structure. The League now functions as a Group of entities and a Trade Association for the rest of the credit unions.

Mr. Michael Burke commented that the JCCUL should consider negotiating a loan or a grant to assist Jamaica from a country operating co-operatives, such as Israel, so the Government could view the Credit Union in a whole different light. He also made a call for the JCCUL Board to be proactive, innovative and aggressive in its handling of credit union matters; and that the credit unions should initiate discussions at its members' meetings regarding the role of the JCCUL. He further suggested that the benefits and services that redound to credit unions should be highlighted in the Delegates' Report as this would help to heighten awareness of how the JCCUL functions.

REPORT OF THE DELEGATES TO THE JAMAICA FISHERMEN CO-OPERATIVE UNION (JFCU)

The motion for the Report to be taken as read was moved by Mr. Michael Burke and seconded by Ms. Vera Daley.

Mrs. Jacqueline Mighty stated that the Jamaica Fishermen's Co-operative Union (JFCU) Annual General Meeting (AGM) was held at the Tropics View Hotel, Mandeville, Manchester on February 25, 2014. The Delegates' Report she said was outlined on page 55 of the Annual Report.

QUESTIONS FROM THE DELEGATES' REPORT

Mr. Michael Burke declared that he made a suggestion at the previous AGM of the JFCU to have a strategic seminar to apprise fishermen of ways in which credit unions can assist them to improve the fishing industry and this was not held, and he had expressed his disappointment to the JFCU.

MINUTES OF THE ANNUAL GENERAL MEETING Cont'd.

The motion for the adoption of the Report was moved by Mr. Garth O'Sullivan and seconded by Mr. Erell Crooks. The motion was unanimously carried.

PROPOSAL FOR FIXING THE MAXIMUM LIABILITY TO 31st DECEMBER 2014

In keeping with Rule 70, it was proposed that the Maximum Liability to 31st December, 2014 be set at \$7.7B, being 12 times the 2013 total capital, inclusive of Deferred Share of \$300M, which was projected at \$640M.

This was adopted on a motion moved by the Treasurer, Mr. Steadman Pitterson and seconded by Mr. Fitzgerald Rowe. This was unanimously carried.

ELECTIONS

The Report of the Nominating Committee was taken as read on a motion moved by Mr. Lorenzo Barrett and seconded by Mr. Erell Crooks.

The Elections were presided over by Mr. Errol Gallimore as per Rule 65(iv). Mr. Gallimore indicated that the Nominating Committee met in accordance with Rule 65(a) and the selection of persons who were recommended for the Board, the Credit Committee and the Supervisory Committee and other Co-operatives were stated.

The results of the Elections were as follows:-

Board of Directors (For 2 years)

- Mr. Christopher Robinson
- Dr. Karen Asher Osbourne
- Mr. Al Chambers
- Ms. Marjorie Shaw
- Msgr. Michael Lewis
- Mr. Orville Christie

They were unanimously accepted on a motion moved by Mr. Erell Crooks and seconded by Ms. Vera Daley.

Credit Committee (For 2 years)

- Mr. Rohan Townsend
- Mr. Errol Beckford
- Mrs. Donna Pommells
- Ms. Lisa Campbell
- Mr. Lenworth Tracey

They were unanimously accepted on a motion moved by Ms. Shannakaye Levy and seconded by Ms. Lorna Harris.

Supervisory Committee (For 1 year)

- Ms. Herma Walker
- Mrs. Jacqueline Daley
- Mr. Arnold Breakenridge
- Mr. Clive Medwynter
- Mrs. Carol Williams
- Mr. Alston Reid
- Ms. Vinnate Hall
- Ms. Phillipa Edwards
- Mrs. Beverly Haylett Smith

They were unanimously accepted on a motion moved by Mr. Erell Crooks and seconded by Mr Livingston Young.

Delegates to JCCUL (For 1 year)

- Mrs. Jacqueline Mighty
- Mr. Steadman Pitterson

Alternate Delegates

- Mr. Christopher Robinson
- Ms. Carol Anglin

Jamaica Fishermen Co-operative Union

- Mr. Michael Burke
- Mr. Neville Rhone
- Mrs. Jacqueline Mighty

Jamaica Co-operative Insurance Agency Ltd.

- Mr. Christopher Robinson
- Mrs. Jacqueline Mighty

They were unanimously accepted on a motion moved by Mr. Erell Crooks and seconded by Ms. Dianne Fraser.

The Chairman congratulated the elected representatives and thanked the retirees for their contributions over the years.

The Chairman thanked Mr. Errol Gallimore for conducting the Elections.

ANY OTHER BUSINESS

Condolence Resolution

The Chairman invited Msgr. Michael Lewis to the podium to read the Condolence Resolution for Mr. Harold Stewart a past President of the COK who died during the year.

MINUTES OF THE ANNUAL GENERAL MEETING Cont'd.

Condolence Resolution for Mr. Harold Stewart

WHEREAS Mr. Harold Arthur Stewart has served the Co-operative Movement with distinction as a volunteer for many years, and more specifically the City of Kingston Co-operative Credit Union Limited, now COK Sodality Co-operative Credit Union Limited.

AND WHEREAS he has served COK Sodality Co-operative Credit Union as a member of the Board of Directors and as a President between 1981 through 1982.

AND WHEREAS under his stewardship the Credit Union made significant strides in meeting the needs of its members through its product offerings and contributions to the wider community.

AND WHEREAS Mr. Stewart died on May 9, 2013 at the age of 74 years after a long illness.

BE IT RESOLVED that the 47th Annual General Meeting of the COK Sodality Co-operative Credit Union, extends sincere condolence to the family of Harold Arthur Stewart on his passing.

The motion for the acceptance of the Condolence Resolution was moved by Msgr. Michael Lewis and seconded by Mr. Garth O'Sullivan. The motion was unanimously carried.

Tribute to Mr. Garth O'Sullivan

Mr. Garth O'Sullivan was honoured and awarded a plaque in recognition of his 40 years of voluntary service to COK Sodality Co-operative Credit Union.

Benefits of being a Credit Union Member

Msgr. Lewis in responding to a query from Mr. Franklyn Cunningham on the benefits of being a member outlined some of the benefits that members derived from their Credit Union as:

- Use of the COK ATM machines at no cost.
- No cost for the initial issue of an ATM access card.

- Summary statements, balance enquiry via the Call Centre or in-branch, standing order services for payments to accounts such as Pension, FIP and Golden Harvest, transfer of funds between accounts, transfer monthly fixed deposits into various accounts, loan within shares, personalized JP service offered twice per week.
- Interest on all our loan products is calculated on the reducing balance, which means interest is calculated on the reduced principal balance, thereby affording less interest on the loan repayments.
- Loan repayments have a savings component which is accessible when the loan is repaid.

New COK Sodality Products

Msgr. Lewis encouraged the members to utilize the newly designed products which were developed to cater to their needs. These were Champion Saver Programme, Christmas in November and Summer Wave promotions. He said these were programmes designed specifically for them.

Updating Nomination Form

Msgr. Michael Lewis explained to the members the importance of having a named person as beneficiary on the Nomination Form to benefit from funds in the Credit Union in case of the member's death. He emphasized that the members' loans and savings were insured for a limited sum, and in case of death the loans are paid out from the amounts. If any of the funds remain this would be paid to persons named on the Nomination Form. The members were urged to visit the Credit Union to ensure the information was completed and also to make changes if the member wishes to replace the named beneficiary on the Nomination Form.

Credit Union Skills Bank

Mr. Burke informed the meeting of a proposed establishment of a benevolent society to form a registry of credit union members' skills and occupations which he thinks could assist persons, particularly those who are delinquent. This would allow for centralization of a databank for all types of jobs where everyone can access this information.

MINUTES OF THE ANNUAL GENERAL MEETING Cont'd.

ACKNOWLEDGEMENT

Ms. Anglin thanked everyone for attending and participating in the 47th Annual General Meeting, as well as those companies and organizations that contributed products, prizes and exhibited their product offerings to the membership.

She also thanked the recording secretary for faithfully recording the proceedings, and the Management and Staff for organizing the AGM. She indicated that the AGM is a very important part of the proper running of any organization and is where democracy, responsibility, equality, equity and solidarity are exercised to their fullest by its owners - the members. She implored everyone to continue to be diligent in monitoring all aspects of the Credit Union's performance, and continue to play their part with "One Voice and One Aim", to achieve financial success through the Credit Union in the coming year.

TERMINATION

The meeting terminated at 5:10pm on a motion moved by Ms. Shannakay Levy and seconded by Mr. Trevor Jennings.

COK SODALITY BRANCH NETWORK

CROSS ROADS BRANCH



MONTEGO BAY BRANCH



MANDEVILLE BRANCH



PORTMORE BRANCH



HALF WAY TREE BRANCH



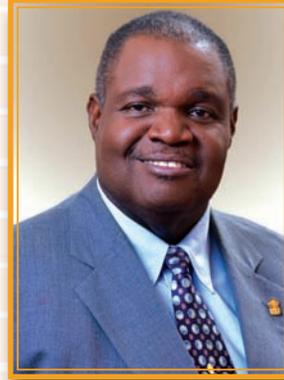
THE BOARD OF DIRECTORS' REPORT



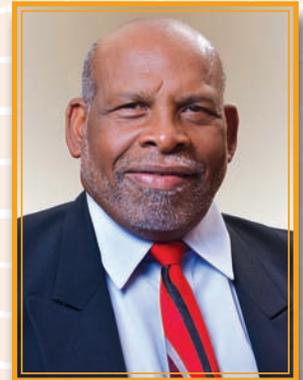
Carol Anglin (Ms.)
PRESIDENT



Monsignor Michael Lewis
VICE PRESIDENT



Christopher Robinson (Mr.)
SECRETARY



Steadman Pitterson (Mr.)
TREASURER



Karen Asher-Osbourne (Dr.)
ASST. SECRETARY



Deryke Smith (Mr.)
ASST. TREASURER



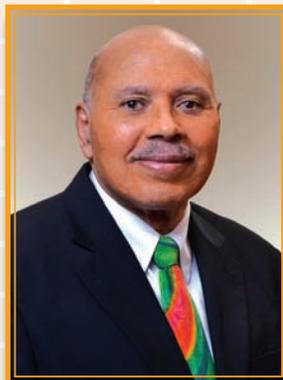
Marjorie Shaw (Ms.)
DIRECTOR



Debbie-Ann Gordon-Crawford (Mrs.)
DIRECTOR



Albert Morris (Mr.)
HONORARY DIRECTOR



Trevor Blake (Mr.)
DIRECTOR



Al Chambers (Mr.)
DIRECTOR



Orville Christie (Mr.)
DIRECTOR

BOARD OF DIRECTORS' REPORT Cont'd.

The Board of Directors of COK Sodality Co-operative Credit Union Limited presents, to you the members, the Annual Report for the year 2014.

Our focus remains on the main goal of our five year strategic plan - turning around the Credit Union by the end of 2015. Your Board and Management, since the commencement of this strategic plan, continue to monitor the key influencers in the economy, industry and the Credit Union that may impact the attainment of this goal.

The first three years (2011 – 2013) of the strategic plan were characterized by significant volatility, uncertainty and risk in the global and domestic environments. In 2014, we started the year with prospects of a year-on-year positive outturn for the global economy and held similar views for our local economy. These expectations were substantially realized with: the domestic economy recording growth of just less than one per cent; fiscal year inflation of 8.3%; the primary surplus target of 7.5% being consistently met; and the debt-to-GDP (Gross Domestic Product) dipping below 140%. However, despite consistent favourable reviews under the International Monetary Fund's (IMF) Extended Fund Facility (EFF) with the country, the domestic economy continues to struggle to create significant growth. Indeed, the fiscal tightening, continued wage restraint, unemployment, currency devaluation and inflation taken together resulted in muted aggregate demand – which in turn created an ever-increasingly hostile competitive landscape for Credit Unions; and compelled your Board to take even more aggressive actions to improve the core operations and financial standing of the institution during 2014.

The Credit Union made a surplus of **\$25.2M** for 2014 that reflects the positive outcome of various strategic initiatives and operational improvements undertaken. During the period, your Board was judicious in its pursuit of the organisation's strategic goals. We sanctioned the provision of credit facilities across new sectors, we also sought to enhance offerings to traditional sectors; and, retained a keen focus on "know your member" and regulatory compliance as we explored these business development opportunities.

Before we review the key elements of the operating performance, it is important to note that the Board, with a view to cleaning up the institution's Balance sheet (in-line with the 2016 strategic goal), decided to make a 100% provision for a receivable from a Cambio partner that remains inordinately outstanding. As a result, we are reporting a loss of **\$33.6M**, based on the provision that amounts to \$58.8M. The organisation is aggressively using all legal channels to pursue the party involved in the Cambio transaction to recover the outstanding sum.

Our associate, Money Masters Ltd., in which we currently have a 22% shareholding, also recorded a loss on its operations in 2014. Our share of the loss, recorded in our group accounts, amounted to approximately **\$8.4M**. Furthermore, our Remittance Company, a wholly-owned subsidiary, also recorded a loss for 2014 of **\$2.1M** – an amount in line with budgetary expectations. Taken together, the group recorded a loss of **\$44.2M** over the review period.

Returning to our core Credit Union performance, enhanced services were delivered to you as we:

- launched COK's first mobile App to improve member access;
- enhanced the Credit Workflow processes to improve turnaround times on loans;
- revamped the institution's website (including a new Online Chat feature), to provide a more user friendly and informative site for members and potential members;
- implemented a Micro Finance Module in our systems to manage and grow the Micro Loans portfolio;
- refurbished our Cross Roads Branch;
- opened an ATM at the HWT Branch;
- completed the installation of LED light bulbs as part of our drive to reduce our electricity consumption;
- conducted Member Satisfaction surveys to better inform our engagement activities.

The core operating performance of the institution was mixed. Positive outturns for 2014 (year-on-year) were recorded in:

- Total Assets of **\$7.5B** - a \$400M (6%) increase;
- Operating expenses were less than budget - \$817M versus \$828M.

BOARD OF DIRECTORS' REPORT Cont'd.

Performance objectives were not achieved in:

- Loan disbursements – \$40M decline representing 93% of budget;
- Loan portfolio – \$540M (12%) growth attaining 90% of budget;
- Savings – \$250M (4%) growth representing 98% of budget;
- Permanent shares – 7% growth achieving 98% of budget.

Two sources were used to support the growth in loans: proceeds from our savings initiatives during the period; and liquidity realized from restructuring the investment portfolio – resulting in a \$100M (5%) reduction. Although we had these encashment, net-net our liquidity remained healthy in 2014, surpassing the minimum recommended by the PEARLS standard.

The bond market, for a third consecutive year, remained relatively inactive during the reporting period. We anticipated this sluggish activity and adjusted our forecast trading gains to \$8.0M. Despite, this conservative estimate, trading gains were disappointing at \$2.1M in 2014.

Disbursements in loans were **\$2.62B** or 93% of the target set for the year, as the organisation continued in earnest to focus its efforts on growing the business. Our achievement was due in part to the active promotions during the year on motor vehicle and debt consolidation loans. These initiatives resulted in the organisation growing the loan portfolio to **\$5.2B** at the end of 2014 achieving 99% of the target set for the year.

Our key plans and strategies in the short to medium term are designed to achieve sustained growth and profitability by aggressively growing the business; improving our member services delivery; controlling the levels of non-performing loans; prudently managing resources and capabilities for optimal performance; and continuing to implement appropriate monitoring and control mechanisms.

OPERATIONS

Marketing, Member Relations and Business Development

Your Board fully appreciates that our members have been adversely impacted by the harsh economic environment. This recognition has led to an intense focus on finding novel approaches to addressing your diverse and challenging needs, while preserving the viability of the Credit Union. Our market research efforts have been unprecedented; and your feedback led to product enhancements and new initiatives.

Some of these initiatives included:

- specials on fixed deposits and golden harvest savings plans;
- debt consolidation and Motor Vehicle loan promotions;
- health and wellness weekly feature;
- “COK in the streets” monthly promotions;
- hosting four (4) Members Meeting including the Members Bingo Night;
- social outreach programmes in Kingston, Portmore, Mandeville & Montego Bay.

Table 1 summarizes COK Sodality's key operating statistics that measure the effectiveness of our marketing efforts for 2014. A breakout of the performance of our wide range of products and services is provided in Appendix 1.

Table 1

Categories	Balance @ 31/12/2012	Balance @ 31/12/2013	Balance @ 31/12/2014	Change (\$) 2013 vs 2014	Change (%) 2013 vs 2014
Savings (Deposits and Voluntary Shares)	\$6.21B	\$6.25B	\$6.50B	\$250.00M	4%
Investments	\$2.29B	\$1.85B	\$1.75B	(\$100.00)M	-5%
Loan Repayments	\$2.38B	\$2.19B	\$2.10B	(\$90.00)M	-4%
Loan Portfolio	\$4.16B	\$4.63B	\$5.17B	\$540.00M	12%
Loan Disbursements	\$2.89B	\$2.66B	\$2.62B	(\$40.00)M	-2%
Membership	252,007	257,618	264,025	6,407	2%

BOARD OF DIRECTORS' REPORT Cont'd.

All of us as members are stakeholders in the performance, turnaround and sustainability of our Credit Union. Your Board is mindful of the value that each member provides and the next section summarizes the service and communications to members.

Improving Service to Members and Communications

In 2014, we continued and finalized work on the design of a comprehensive programme to improve our member service delivery. This was finalized late in 2014 and will be fully implemented in 2015 with the establishment of a special unit, headed by a Member Experience and Service Excellence Manager, who will be charged with the responsibility of ensuring that member satisfaction is increased significantly.

We continued to keep in touch with our members across multiple media, including print, electronic, as well as by e-mail, text messages, Facebook, the internet and video screens in our branches. We introduced our COK App in March 2014 as yet another means for you to have access to your Credit Union; and we use this opportunity to again encourage you to use this App as it provides you with quick and easy access to do business with us.

Social and Corporate Responsibility

COK Sodality's continued commitment to social and corporate responsibility is underpinned with the dual mantra of wellness in personal and financial health. This was demonstrated through our various outreach efforts especially in communities surrounding our branches in Kingston, Portmore, Mandeville, and Montego Bay; and was achieved through:

- donating and sponsoring activities and events in the areas of community development, education, sports and agriculture;
- sharing essential information on wellness and healthy living via electronic and print media with a weekly column in the Jamaica Observer newspaper, regular promotional spots and interviews on several radio stations, and partnering with the Diabetic Association of Jamaica and Dr. Winston Dawes of Corporate Mahogany Health and Fitness;

- investing in education and co-operation. COK Sodality over the years has contributed directly and indirectly to the educational pursuits of our youth at the basic, primary, secondary and tertiary levels. In 2014, we provided 30 scholarships and grants amounting to approximately \$650,000 to our members and children of members attending local institutions ranging from basic through to tertiary institutions. Our Education Committee is responsible for the management of this programme and has provided details in their Annual Report to the membership.

The following pictures provide a glimpse into one of the social outreach initiatives undertaken during 2014.



ANNUAL REPORT 2014



BOARD OF DIRECTORS' REPORT Cont'd.

PRUDENTIAL MEASURES

Strengthening Capital Base

In 2014, as in prior years, COK Sodality continued its drive to strengthen and secure its capital base by, among other things, increasing compliance with permanent shares, and achieving surplus.

For 2014, Permanent Shares of **\$28.4M** (\$18.7M in 2013) was collected which represented contributions from new and existing members, and the continuous drive to improve member compliance. We continue to pursue various approaches to improve member compliance with the minimum permanent shares requirement. The Board is encouraged that as at December 2014, members' contributions to Permanent Shares was approximately **\$409.0M** (\$380.6M in 2013).

Delinquent Loans

The Board through its Debt Management Committee (DMC) and Management via the Debt Management Unit (DMU) continued to provide oversight and monitoring of this very critical area in our organisation's operations.

The Board and Management, in the execution of their duties, tried to balance the challenges of the members in meeting their obligations as agreed against the negative impact on the organisation's financial performance, and in so doing tried to come to the best possible compromise in the interest of both parties.

At the end of the 2014 reporting period the level of delinquency was 9.1% (9.83% in 2013) against an end of year target of 7%. The delinquent portfolio declined year over year from approximately \$489M to \$480M however the level of provisioning for Bad Debts increased year-on-year by approximately \$16.7M as the value of loans in the higher provisioning brackets increased.

Income from sale of collateral held against charged-off or delinquent loans under achieved in 2014 as disposal of collateral was not as buoyant as anticipated. However, we were able to collect \$33.2M of the \$65.7M budgeted.

Charged-off Accounts

Accounts that are in arrears for a period in excess of 365 days and for which the accounts reflect a 100% provision for the debt are recommended to the Board by the Management for Charge-Off.

In keeping with our current Rules, (Rule 38 (i) I) the Directors hereby present, for the Meeting's approval, that these loans, totalling approximately \$49.1M at December 31, 2014, be treated as Charged-Off Loans. These loans will continue to be managed for collections but will no longer be included as part of the current loans portfolio. Of note, during the year, **\$33.2M** was collected from loans which were charged-off in previous years.

Notable Legal Issue

Over the last three years we have advised the membership that included in the Receivables is an amount of \$58.2M relating to a balance from a Cambio Trading Partner for its default on a transaction. The Board and Management have aggressively employed various approaches to recover this debt - a portion of the debt was recovered in 2012 via out of court actions. Our efforts to recover the outstanding amounts are unceasing; however, despite repeated promises we have yet to realize full recovery. As previously mentioned, your Board prudently made a 100% provision for this debt; and it continues recovery efforts via available legal channels

HUMAN RESOURCES

In 2014, the Credit Union continued its measures to streamline and strengthen its human resource capabilities as part of its strategic imperative of having a more nimble, innovative and flexible organisation fully equipped to meet the changing demands of our growing members and stakeholders.

We also placed greater focus on improving the capacity of our staff and volunteers through more structured training and development and ensuring that minimum training requirements were met by all.

Staff

There were 235 persons employed to the organisation at the end of December 2014 broken down as follows:

Permanent Staff	116
Contracted/Temporary Staff	113
Heart Trainees	6

BOARD OF DIRECTORS' REPORT Cont'd.

Volunteers

After the last Annual General Meeting held in May 2014, the following persons were elected as Officers to serve the Credit Union:

President	- Ms Carol E. Anglin
Vice President	- Rev. Msgr. Michael Lewis
Treasurer	- Mr. Steadman Pitterson
Assistant Treasurer	- Mr. Deryke Smith
Secretary	- Mr. Christopher Robinson
Assistant Secretary	- Dr. Karen Asher Osbourne

The members of the Board are listed in Appendix II and the record of their attendance at meetings.

We wish to pay tribute to all our volunteers who give of themselves selflessly on the Board and various Committees to ensure that the work of the Credit Union is carried out in accordance with the Policies and guidelines.

This year the following volunteers have indicated their unavailability to continue to serve and have requested not to be considered for re-election:

- Rev. Norman Francis – Credit Committee
- Lisa Campbell – Credit Committee
- Lenworth Tracey – Credit Committee
- Beverly Haylett-Smith – Supervisory Committee

On your behalf we record our thanks to them for their service to the organization and wish for them success in their future endeavours.

During the year, we saw key management movements, including:

- Courtney Wynter – Chief Financial Officer demitted office;
- Desmond Foster – Senior Manager, Strategic Planning & Development demitted office
- Lloyd Black, Chief Business Development Officer and Andre Gooden, Investment and Treasury Manager, joined the organisation.

We pause in this report to register the Board's sincerest regret at the passing of Lloyd Black in March 2015. Mr. Black, who joined the COK Sodality family in August 2014, passed away after a very brief illness. He made significant contributions to the organisation during his tenure and won the respect and admiration of the members, his peers and volunteers. We extend sincerest condolences to his family and friends.

WHOLLY-OWNED SUBSIDIARY AND ASSOCIATE

COK Remittance Company Ltd. (COKRS)

The COK Remittance Company Ltd. (COKRS) is a fully owned subsidiary of the Credit Union and operates as an agent for several remittance companies operating out of the Cayman Islands, Haiti, United States of America, Europe and Canada.

In 2014, the company made strides in expanding its local and international network. However in 2014, we recorded a loss of \$2.1M which was in line with budget. Our strategic plan for this business is to expand its distribution network throughout Jamaica, while promoting its services, both in the overseas and local markets.

Money Masters Limited (MML)

Money Masters Limited (MML) is an associate of COK Sodality as a result of the Credit Union initially acquiring 25% of the company's ordinary shares August 2010. This equity has been reduced to 22% in 2014. In 2014, the Credit Union had to record a loss of approximately \$8.4M due to the reduction in value of this investment.

Messrs Trevor Blake and Christopher Robinson continue as the COK Sodality representatives on the Board of MML.

CORPORATE GOVERNANCE

During the year under review the Board of Directors, knowing the importance of corporate governance practices in the conduct and operations of the organisation, continued its appraisal of the operations and subsidiary activities of the Credit Union through the various committees of the Board. These committees - namely: Audit Risk & Compliance; Finance & Policy; Asset Liability Management; Debt Management; Information Communication Technology; Nominating; and Performance Management & Compensation - ensured compliance of the Credit Union operations and subsidiary activities; and where necessary approved and implemented policies and procedures designed to improve the monitoring, controls and accountabilities within the organisation.

The Board of Directors continued to work with Management in improving compliance issues including strengthening the compliance infrastructure and processes of the organisation. We, again report that the level of compliance relating to members' due diligence (Know Your Member) is still not at its expected levels, despite our efforts for full compliance.

ANNUAL REPORT 2014



BOARD OF DIRECTORS' REPORT Cont'd.

Too many of our members continue to demonstrate reluctance in updating their information on the Credit Union's files. We again use this medium to encourage you to co-operate with us in accomplishing this task so that we can be fully compliant with our regulators. The Know Your Member due diligence is an on-going process and we crave your co-operation, as the Board and the Management work to ensure safety and soundness at all levels within the organisation.

The Board of Directors will continue to ensure compliance with regulations and regulators through policies and to hold the practice of accountability high while developing and implementing sound strategies for positive growth.

Impending BOJ Credit Union Regulations

The Jamaica Co-operative Credit Union League (JCCUL) is now awaiting the draft BOJ Credit Union Regulations, given that they have agreed on all pending matters

THE WAY FORWARD

The report outlined the environmental and operational issues with which we must contend. Your Board has identified, and where necessary modified, its programme of activities to realize the strategic goal of an organisation that is: operationally efficient and effective; positioned on a robust capital base; and placed on a trajectory of sustainable growth.

Your Board has taken note of some positive indicators and developments in the wider economy. For example, the Jamaica Conference Board's (JCB) 4th Quarter Business and Consumer Confidence Indices suggest that confidence in the economy, among firms and individuals, is at a 13-year high. Additionally, public sector workers seem set to benefit from a relaxation of the wage restraint regime and inflation that is currently tracking at a 40-year low. Furthermore, we remain hopeful that the country's improved rankings in the Global Doing Business Index will translate into increased levels of foreign direct investment and commercial activity that will redound to the benefit of our members. In recognition of these emerging opportunities, and the deliberate actions taken to strengthen and further consolidate the key elements of our operating model, your Board remains steadfast in its commitment to member care, human resource capacity building and offering solutions that satisfy your changing needs.

Having cleaned up the balance sheet in 2014, our focus for 2015 will be to: provide distinctive member care; earn surplus through continued growth of our loan portfolio, delinquency containment, cost management, new product development; and further strengthen the capital base of the organisation.

Our strategic plan is focused on ensuring sustainable financial viability; and so, your Board is intent on the timely execution of initiatives that will further strengthen the organization's capital base. Permanent shares are an essential component of our Credit Union's capital structure. Indeed, one element of the Board's plan will be an invitation for us, during our Annual General Meeting (AGM), to support a resolution that proposes to increase our minimum Permanent Share requirement from \$2,000 to \$3,000. This \$1,000 increase from every member will solidify our Credit Union as a strong entity in the financial services sector; and to reinforce the foundation to widen our services and generate surpluses.

Your Board believes that our Credit Union is at the tipping point of its turnaround; and we continue to solicit your support to ensure that our mission is fulfilled.

APPRECIATION

We wish to record our appreciation to our volunteers, management and staff, liaison officers, regulators, providers of professional services and all others who have assisted the COK Sodality Co-operative Credit Union Limited in the conduct of its affairs over the past year.

We thank you, our members, for the confidence that you continue to place in us as we strive to serve the COK Sodality Co-operative Credit Union Limited.

For and on behalf of the Board of Directors,

Carol E. Anglin
President

BOARD OF DIRECTORS' REPORT Cont'd.

Appendix I

OUR PRODUCTS & SERVICES

Our savings products include:

1. PARTNER PLAN

Partner Plan	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	Change in 2014
Members in Plan	2,463	2,633	2,547	2,567	1%
Value	\$81.99M	\$85.44M	\$86.85M	\$89.85M	3%

The Partner Plan continues to record a steady growth since its introduction. The Partner Plan is used significantly by our members to fulfil their short-term obligations while receiving a bonus on the amount contributed for their consistency in saving. In 2014, 5638 plans matured at a value of \$300.3M.

Members can save for periods of 16 weeks; 24 weeks; 36 weeks and 48 weeks and receive bonus as detailed below:

WEEKS	CONDITIONS	REWARDS
16 weeks (4 months)	No more than ONE late payment	15% of weekly hand
24 weeks (6 months)	No more than TWO late payment	35% of weekly hand
36 weeks (9 months)	No more than THREE late payment	80% of weekly hand
48 weeks (12 months)	No more than FOUR late payment	150% of weekly hand

2. WEALTH MAXIMIZER

Wealth Maximizer	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	Change in 2014
No. of Members	185	172	158	133	-15.8%
Value	\$77.8M	\$64.98M	\$60.78M	\$52.71	-13%

The decline in this product has been consistent over the last 4 years as members have instead gravitated to the shorter term instruments as a result of the market conditions. We however believe that more members will again see this as a good vehicle for investment as the economy settles down

With a minimum deposit of **\$25,000** and an additional saving of up to **\$1 million** per annum, members may participate in a **Wealth Maximizer** account with very competitive interest rates. This product is a long-term savings plan with a **tax free** benefit if held for up to **5 years**. Members saving through the **Wealth Maximizer** are able to withdraw semi-annually up to **75 %** of the **interest** earned. This is an ideal savings instrument for planning towards a major goal and even retirement.

3. FIXED DEPOSIT

Fixed Deposit	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	Change in 2014
No. of Members	12,882	12,255	11,963	11,837	-1%
Value	\$2.8B	\$2.76B	\$2.68B	\$2.74B	2%

ANNUAL REPORT 2014



BOARD OF DIRECTORS' REPORT Cont'd.

Fixed Deposit grew by 2% over 2013 although the number of members with these accounts declined marginally by 1%.

Members may start a Fixed Deposit with a minimum of **\$10,000** for maturity at their convenience (30, 90, 180 and 365 days) at very competitive rates.

4. COK PENSION PLAN

COK Pension	2011	2012	2013	2014	Change in 2014
No. of Members	3,183	4,084	4,520	5,243	16%
Value	\$98.2M	\$141.5M	\$185.6M	\$237.50	28%

Our Pension Plan has seen significant growth over 2013, in both membership and contributions as we have placed significant emphasis in growing this offering. The Retirement Scheme for members of the **City of Kingston Co-op Credit Union Limited and Trustees** was formally approved by the Financial Services Commission (FSC) on November 26, 2008 under the Pensions Superannuation Funds and Retirement Scheme Act, 2004.

Persons who are self-employed and or employed in an organisation that does not have a pension plan may join this Scheme. Members may contribute up to **20%** of their chargeable income, **tax free**.

5. GOLDEN HARVEST

Golden Harvest	2011	2012	2013	2014	Change in 2014
New Members	1,919	2,554	1,911	3,027	58%
Total Members	3,339	4,085	3,351	4,155	24%
Value	\$300.7M	\$402.1M	\$411.7M	\$541.8M	32%

In 2014 we recorded significant year-on-year growth in both members and savings in this product. Golden Harvest is an investment and savings plan with a specific goal at an attractive interest rate. Members up to age **69 years** may save for a period between 1 - 5 years at a fixed interest rate. At COK up to **\$4 million** of a member's savings in this plan is insured through CMFG (formerly CUNA Mutual) at **no cost** to the member as long as the member fulfils his/her savings obligations as agreed in the contract.

Our services to members include:

1. FAMILY INDEMNITY PLAN (FIP)

Family Indemnity Plan	2011	2012	2013	2014	Change in 2014
Members	6069	6406	6801	7546	11%

FIP has an outstanding feature that allows up to six (6) family members to be insured for the same monthly premium; it now offers six (6) insurance plans for our members to choose from. This is a must have for every family. **In 2014, 247 members or their dependents were the beneficiaries of approximately \$75.1M in pay-outs under this plan.**

BOARD OF DIRECTORS' REPORT Cont'd.

2. STANDING ORDER PAYMENTS

<u>Standing Order Payments</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Change in 2014</u>
Transactions	5,277	5,870	5,786	5,371	-7%
Institutions Paid	14	14	15	12	-20%

Payments are made on behalf of members and on their instructions to various institutions. The service offers **convenience** and **a peace of mind** for periodic payments. The figures shown **exclude** FIP payments made to CMFG (formerly CUNA Mutual).

3. COK XCHANGE – CAMBIO SERVICES

<u>Cambio</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Change in 2014</u>
Amount traded	US\$57.0M	US\$35.6M	US\$23.89M	US\$12.74M	-47%
Earnings	J\$6.9 M	J\$8.25M	J\$12.15M	J\$5.3M	-56%

During the year 2014 due to a significant change in policy by our main bankers, we were no longer able to make cheque deposit to our cambio accounts, which impacted our ability to trade as before; thereby reducing the volumes and profits from this service. Since 2015, we have been able to address this issue and are rebuilding lost relationships as a result of the fallout and are garnering new ones to increase our volumes and profits.

Foreign exchange services are available to our membership for their convenience to purchase or sell foreign currency at **competitive** rates. The organization is licensed to operate cambio services in all our Branch locations in Cross Roads, Half Way Tree, Portmore, Mandeville and Montego Bay.

4. COK REMITTANCE SERVICES

<u>Remittance (Sub Agent)</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Change in 2014</u>
No. of Transfers	39,832	29,940	33,664	49,066	46%
Value	\$682.6M	\$542.3M	\$722.2M	\$1.32B	83%

COK Sodality acts as an agent and sub-agent for various remittance services. Members and potential members may collect their money transfer from any of the locations authorized to pay on our behalf. We have expanded the number of agents with whom we do business, to include MoneyGram, Swift Cash, Capital & Credit, Jamaica National, Money Exchange, Unitransfer, Caribbean Airmail, Fast Funds Money Transfer, and Ria.

5. COK VISA CREDIT CARD

<u>COK Visa Credit Card</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Change in 2014</u>
Cardholders	977	829	684	594	-13%
Portfolio Value	\$33.1M	\$27.9M	\$25.5M	\$20.96M	-18%
Earnings	\$20.6 M	\$18.51M	\$12.22M	\$13.04M	7%

COK Sodality in partnership with RBC Royal Bank, now Sagicor since their purchase of RBC's business in Jamaica, issues a local credit card. The current interest rate of **39%** is among the lowest in the industry. We are currently reviewing the processes associated with this facility and expect to conclude on this by the end of August 2015.

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BOARD OF DIRECTORS' REPORT Cont'd.

Appendix II

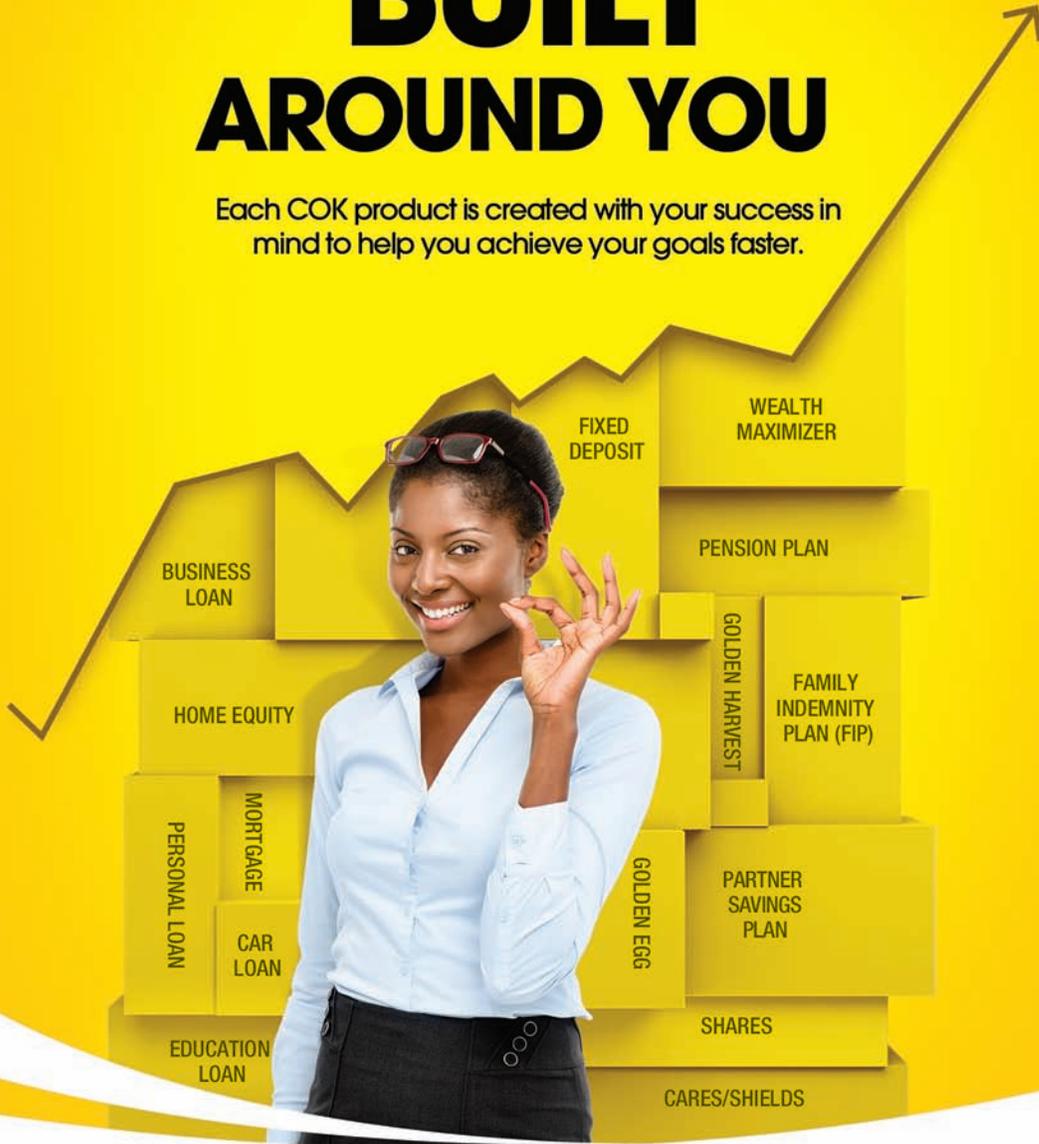
ATTENDANCE AT DIRECTORS MEETING

NAME	POSITION	SCHEDULED MEETINGS	MEETINGS ATTENDED	MEETINGS EXCUSED
Ms. Carol Anglin	President	10	10	0
Monsignor Michael Lewis	Vice President	10	6	4
Mr. Christopher Robinson	Secretary	10	8	2
Dr. Karen Asher-Osbourne	Assistant Secretary	10	9	1
Mr. Steadman Pitterson	Treasurer	10	10	0
Mr. Deryke Smith	Assistant Treasurer	10	9	1
Mr. Debbi-Ann Gordon Crawford	Director	10	7	3
Mr. Trevor Blake	Director	10	5	5
Mr. Al Chambers	Director	10	7	3
Ms. Marjorie Shaw	Director	10	6	4
Mr. Orville Christie	Director	10	8	2

Find COK Sodality in Google App Store

BUILT AROUND YOU

Each COK product is created with your success in mind to help you achieve your goals faster.



Sign up for any three (3) new savings plans and benefit from a rate reduction on your next loan or an increased rate on a savings account.*

It's time to visit COK, to get started on building your future, today.

*Conditions Apply • Offer ends August 31, 2015



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TREASURER'S REPORT FOR YEAR ENDED MARCH 31, 2015

OVERVIEW

Jamaica's second debt-exchange programme the National Debt Exchange (NDX), which was implemented in February 2013 continued to have a spin-off effect on the Jamaican economy. The most significant being the effect on those who are indebted to the Credit Union. The evidence of the above is the significant provision of \$75M that was experienced this year. Despite the above provision the Credit Union made an operating profit of \$25M before audited provision of \$59M for accounts receivable and writing down of our investment in Money Masters Limited by \$8.4M. When these were applied against the operating profit of \$25M the Credit Union made a loss on its business operation of \$44M.

The Credit Union continues to operate in a challenging economic environment, however with tight cost containment the increase in operating expenses year over year was kept below the inflation rate. This expense increased by \$23M over the comparative period, albeit below the inflation rate and below the 2014 budgeted spend.

1. Performance

Despite the loss of \$44M, the 2014 financial year ended with the Credit Union achieving a number of positive results which included:

- 12% growth in the Loan Portfolio - grew by \$540M vs. budget of \$598M to close at \$5.2B, (2013 - \$4.626B)
- 4% growth in Savings Deposits - grew by \$250M vs. budget of \$325M to close at \$6.5B, (2013 - \$6.3B)
- Growth in Permanent Shares by \$28M, achieving approximately 80% of budget (\$35M).
- 97% achievement of interest income from loans - \$678M vs. budget of \$696M; shortfall of \$18M
- 108% achievement of interest income from investments - \$149M vs. budget of \$138M; \$11M above budget
- Containment of operating expenses below budget by \$11M. Actual was \$817M vs. budget of \$828M

There were however some areas that did not meet the budgeted targets set for the 2014 financial year and as such impacted the financial performance negatively. These included the following:

- Credit Card income of \$13M was below projections by \$8M. (Budget of \$21M).
- Bad Debt provisions were over budget by \$73M - \$133M vs. budget of \$60M
- Non-Interest income fell below projections by \$54M - \$276M vs. budget of \$329M. Major contributor to this was the amounts achieved from Bad Debt Recoveries which were below projections by \$32M, achieving \$33.2M against a budget of \$66.7M.

Our results in 2014 was, as in 2013 impacted by the inability to trade Government of Jamaica (GOJ) bonds held by the Credit Union, which resulted in declining interest rate especially during the last two quarters of 2014, tight liquidity which resulted in a competitive environment for savings deposits and lower net interest margins. Bad Debt Provisioning and Recoveries from Bad Debt were two areas that posed some challenges during the 2014 financial year. The Credit Union continued to review and closely monitor these areas and implement strategies to correct them.

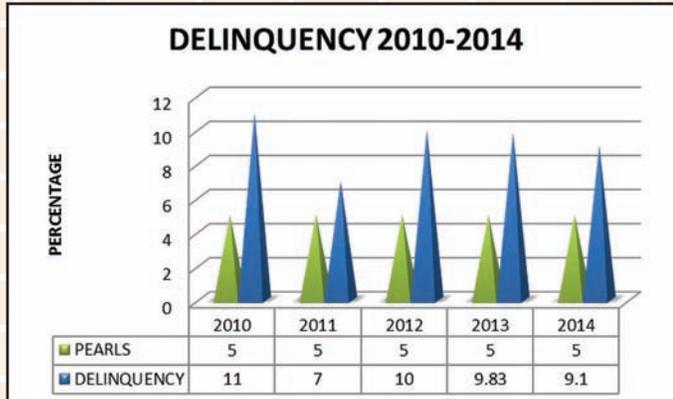
2. Debt Management Plan

As at the end of December 2014 the delinquency rate was 9.1% (2013:9.83 %). Additionally, the Debt Management Unit was able to recover over \$33M (2013:\$45M) of the planned \$66M (2013:\$62M) through the continuous and aggressive pursuit of delinquent members.

The proactive approach adopted in managing delinquency, wherein we seek to be in contact with our members after one missed payment with the aid of SMS texting messaging and emails generated from our system continued throughout the financial year.

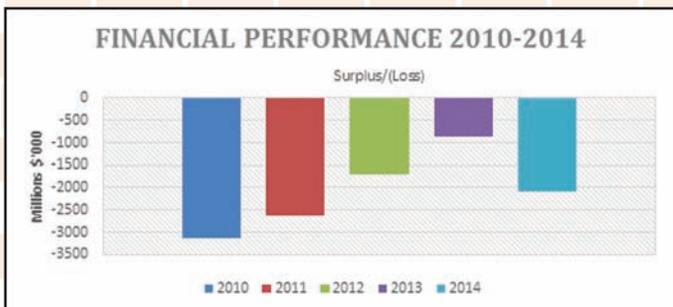
The Credit Union will continue to employ an aggressive posture with our collections including legal action in small claims court in 2015, while seeking to improve the asset recovery process as it relates to acting expeditiously. The entire process surrounding issuing formal/demand notices to include realizing on assets was tightened and achieved closer monitoring of our Attorneys, Bailiffs and External Collectors who themselves play a critical role in the collections process. We are cognizant of the fact that as a financial institution whose primary business is lending, bad debt provisions are part of our business, nevertheless we will continue to ensure that our processes are in line with best practices and that efficiency is engrained in our way of life.

TREASURER'S REPORT Cont'd



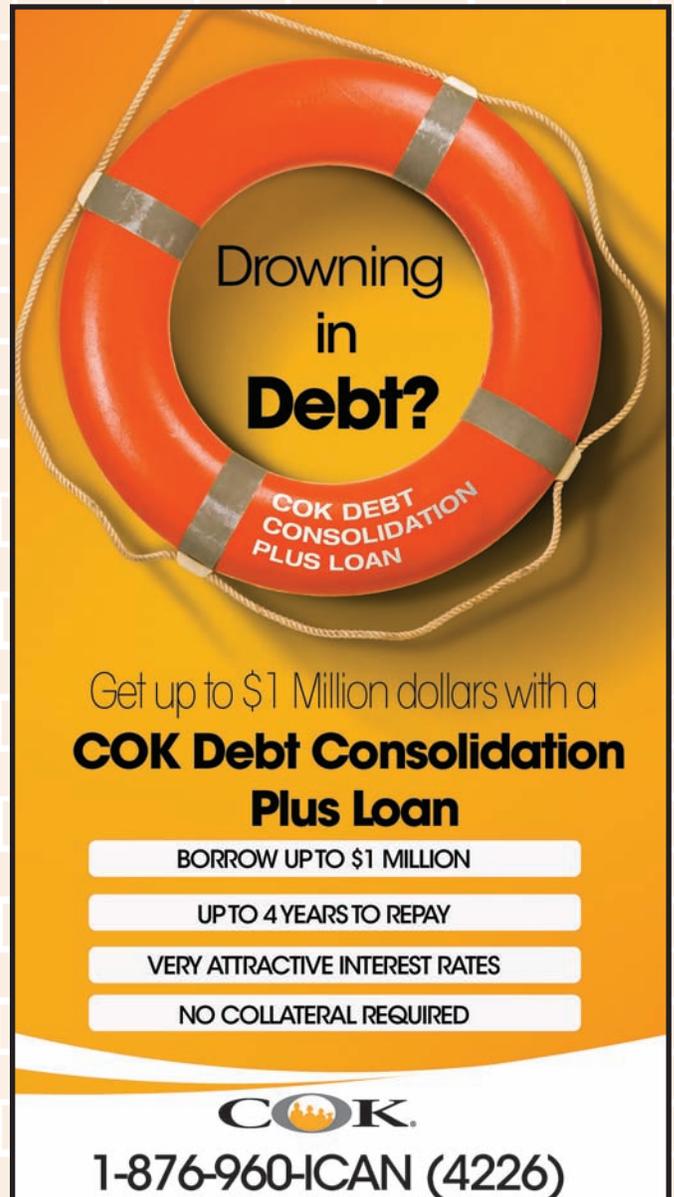
3. Remittance

COK Remittance Company, a wholly owned subsidiary made a loss of approximately \$2M compared to a \$0.859M loss in 2013.



The loss was primarily driven by a 25% reduction in net gains from foreign exchange trading and a 30% increase in operating expense year over year.

The Remittance Company's total assets grew by 10% over 2013 to close at \$8.5M (2013:\$7.6M). The Remittance Company is projected to make a surplus of \$2M for the 2015 financial year.



Drowning in Debt?

COK DEBT CONSOLIDATION PLUS LOAN

Get up to \$1 Million dollars with a

COK Debt Consolidation Plus Loan

- BORROW UPTO \$1 MILLION
- UPTO 4 YEARS TO REPAY
- VERY ATTRACTIVE INTEREST RATES
- NO COLLATERAL REQUIRED

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TREASURER'S REPORT Cont'd

The table below summarizes the results of the Credit Union's operations for 2014 as compared to 2013.

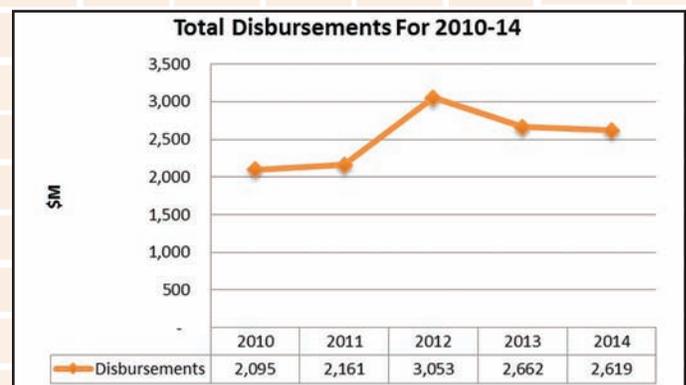
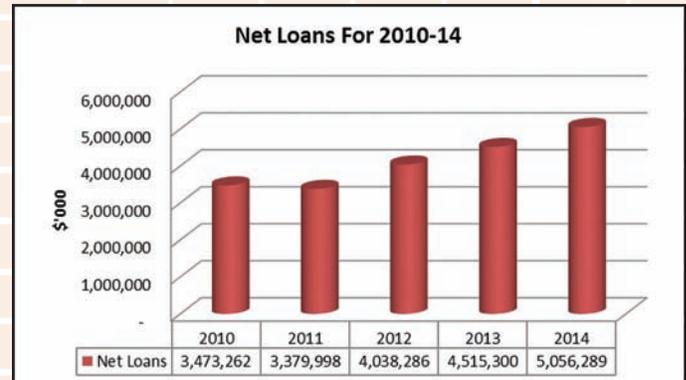
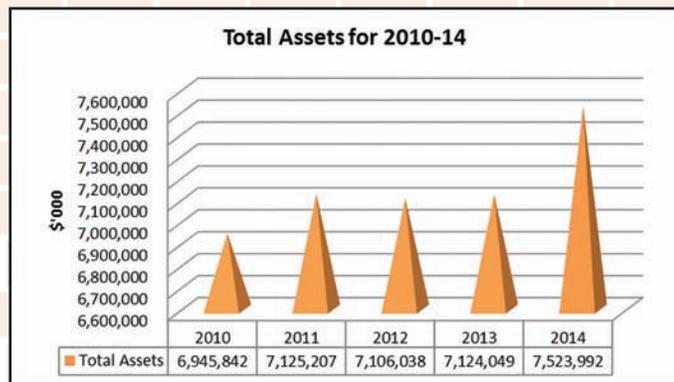
ANALYSIS OF CHANGE IN INCOME & EXPENDITURE 2014 VS. 2013

	2014	2013		
	\$'000	\$'000	\$'000	
<u>Interest Income:</u>				
Loans to members	678,386	648,885	29,501	4.5%
Investments and deposits	149,196	145,622	3,574	2.5%
Total Interest Income	827,582	794,507	33,075	4.2%
<u>Interest Expense:</u>				
Members' Deposits	175,841	160,211	15,630	9.8%
External Credits	1,776	50,679	(48,903)	-96.5%
Other Financial Costs	29,191	26,790	2,401	9.0%
Total Interest Expense	206,808	237,680	(30,872)	-13.0%
Net Interest Income	620,774	556,827	63,947	11.5%
<u>Non-Interest Income</u>				
Fees	184,550	164,125	20,425	12.4%
Dividends on Equity Investments	506	419	87	20.8%
Other Income	108,462	129,351	(20,889)	-16.1%
Total non-interest Income	293,518	293,895	(377)	-0.1%
Gross Margin before provisions and expenses	914,292	850,722	63,570	7.5%
Less Operating Expenses	(816,661)	(793,845)	(22,816)	-2.9%
Surplus for the year before provision	97,631	56,877	40,754	71.7%
<u>Provisions</u>				
Allowance for loan losses	(57,331)	(40,667)	(16,664)	41.0%
Allowance for interest losses	(6,846)	1,065	(7,911)	-742.8%
Allowance for losses on other assets	(10,476)	(11,761)	(1,285)	-10.9%
Total Provision	(74,653)	(51,363)	(23,290)	45.3%
Surplus/(Loss) for the year before Exceptional Allowance	22,978	5,514	17,464	-316.7%
Exceptional Allowance for losses on other assets	(58,782)	-	(58,782)	-100.0%
Surplus/(Loss) for the year After Exceptional Allowance	(35,804)	5,514	(41,318)	-749.3%
Add Share of profit/(loss) of Associate	(8,354)	(2,388)	(5,966)	-249.8%
Net Income/(Loss) for the year	(44,158)	3,126	(47,284)	-1512.6%

TREASURER'S REPORT Cont'd

Growth

The Credit Union's Total Assets increased by \$400M (2013:\$16M) over the comparative period 2013 to close at \$7.5B (2013:\$7.124B). The growth in Total Assets was financed by net increased in savings and shares deposits of \$250M (2013:\$34M) and net external loans of \$98M (2013:\$3M).



Loans

Gross loans increased significantly year over year by \$540M (2013:\$475M) to \$5.2B. Disbursements for 2014 were \$2.62B (2013:\$2.66B) or \$40M less than 2013. The competitive and declining interest rates environment continued during 2014 and as such, the Credit Union in an effort to remain competitive had a number of loan promotions which resulted in reduction in loan rates as well as its yield. Despite the reduction in loan yields, the credit union achieved 97% (2013:98%) of its projected interest income for 2014. Interest income on loans was \$678M compared to \$649M for the 2013 comparative period. Our net loan to asset ratio at the end of the financial year was 67% (2013:63%) well within the PEARLS standard of 60-80%.

Additionally, we continued to streamline our credit assessment and policies, and also use the Credit Bureaus which have resulted in the Credit Union obtaining better quality loans even as it seeks to grow the loan portfolio.

Provisions

The year 2014 has proven to be a challenging year as it relates to bad debt provisioning, due to several hard core large accounts that were not regularized and the Credit Union was not successful in disposing of pledged properties during the financial year. Attempt to dispose of these pledged properties will continue during 2015.

The Credit Union made the following provisions during the 2014 financial year:

Loan loss provision of \$57M (2013:\$41M). The Credit Union was able to attain a 9.1% (2013:9.83%) delinquency level. While our eyes are set on ultimately achieving the PEARLS standard of 5% delinquency or less, we are aware that this will not be achieved over night and have put measures in place to gradually reduce the delinquency ratio.

With consistency and focus from the entire Debt Management Team, and increased sensitivity of the COK Sodality family towards delinquency we intend to gradually reduce our position to approximately 6% by December 2015.

ANNUAL REPORT 2014



TREASURER'S REPORT Cont'd

In order to achieve the aforementioned delinquency targets, the Debt Management Department have since strengthened the internal processes to include increasing individual collector daily targets. In addition we have changed the priority within ICMS (Integrated Collection Management System) to ensure that accounts with the greatest dollar value of arrears are targeted first versus what obtained before. In addition, greater focus is being placed on high value accounts (i.e. \$2 million & over) which account for the greater percentage of delinquency and provisions monthly. This focus includes the DMU Manager and Senior Collector having daily oversight of these accounts.

The Branch Managers will also play a more integral role in the monitoring of accounts domiciled at the branches at the 1 - 30 days stage of delinquency, as relationship management of these accounts in the early stages of delinquency will play a vital role in reducing our overall delinquency in the medium to long term.

Loan Interest Receivable provision of \$7M (2013: write back of \$1M).

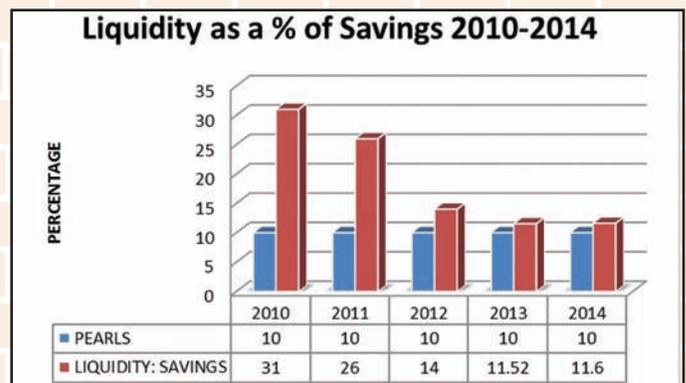
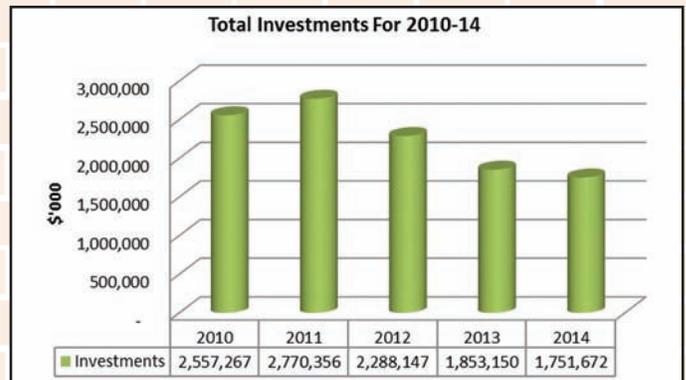
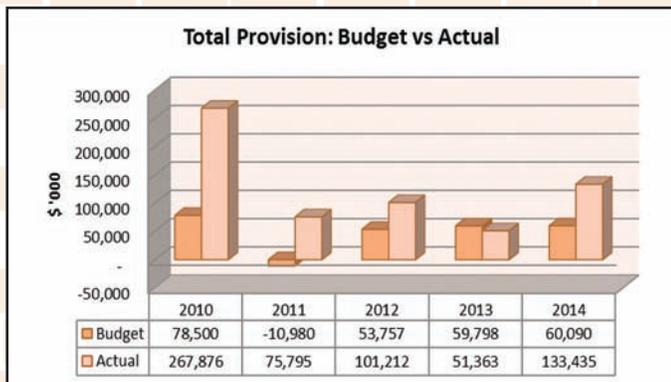
Other Assets Provision of \$69M (2013:\$12M). This include \$58.8M receivable from a cambio trading partner for defaults on amounts due for which a full provision was made during the year. Efforts to recover the outstanding amounts are diligently being pursued.

Interest Income earned from investments was \$149M (2013:\$146M). Interest Income earned on investments exceeded budget by \$11M for the 2014 financial year, this was achieved as a result of the diversification of the asset base through medium risk structured financing projects.

The bond market remained stagnant during 2014, however the Credit Union earned Investments gains of \$2M (2013:\$3M) during the 2014 financial year.

To further diversify its asset base, the credit union will continue to look at medium risk structured financing projects to boost its interest income in 2015.

It should be noted that despite the asset shift into longer loan tenures and the continued stagnant bond market, the credit union was able to manage its cash flow and liquidity to meet all its loan demands and payment obligations on a timely basis.



Investments

As at December 2014, the investment portfolio of \$1.8B (2013:\$1.9B) decreased by a net \$100M (2013:\$436M) over 2013, primarily due to the continued shift in the asset mix to loans meaning, liquidating lower yielding investments and converting to higher yielding loans.

Savings & Deposits

The savings portfolio increased by \$250M (2013:\$41M) to \$6.5B (2013:\$6.25B) from normal course of savings.

TREASURER'S REPORT Cont'd

Interest expense on deposits increased by \$11M or 8% to \$148M (2013:\$137M). The Credit Union had to be very aggressive in the financial market and offered a number of savings initiatives to attract and retain savings. Despite the increase in interest cost over the comparative period our cost of funds was lower than planned resulting in savings in interest cost of \$16M. Most importantly our members continue to exhibit confidence in the Credit Union as is evident in the increase of \$250M in year over year savings.

THE WAY FORWARD

The strategic objectives for the 2015 financial year are to grow our loan portfolio by \$572M, increase savings to fund the loan growth, reduce the delinquency ratio to an acceptable level of 6%, increased recoveries from bad debt by 52%, increase interest income by 10%, maintain our operating expenses within or below inflation rate and improve our Capital Adequacy Rate (CAR) above the PEARLS benchmark of 8%.

Grow Income

The focus of the Credit Union in 2015 is the continued growth in savings and loans, management of delinquency and Bad Debt Recoveries and by extension growth in assets. Additionally, the credit union will continue to grow and balance the risk profile of the loan and investment portfolios and by extension growth in loan and investment income. To improve on our efficiency in loan processing we will be introducing a Centralized Credit Unit (CCU) that will result in improvement in credit assessment and shorter turnaround time for loan processing. Our loans workflow will also be enhanced in tandem with the CCU. Additionally, the Credit Union will seek to become more competitive on selective loan rates to drive volumes.

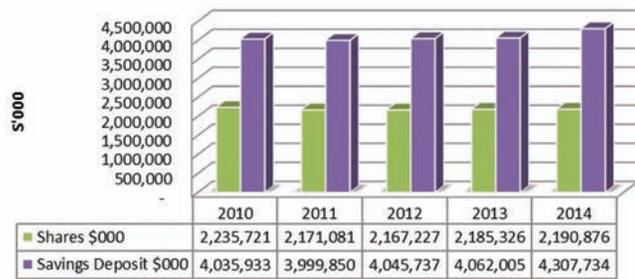
Further, the Credit Union will be diligently looking at other investment vehicles and low risk structured financing opportunities to boost its investment income.

Delinquency and Bad Debt Recoveries

The credit union will seek to achieve a target of 6% for 2015. We recognize that there is still a lot of work to be done in this regard. Notwithstanding the aforesaid we are optimistic of keeping our delinquency rate down as we employ new and varied strategies despite the challenging economic climate. The credit union will continue working with its membership through, information, education and other initiatives. Where necessary, however, the credit union will aggressively take legal action to ensure loans are collected.

Asset management is also a very critical area to the Credit Union relative to achieving profitability targets. We will continue our focus to collect on charged-off accounts as this will have a positive impact on our bottom line. The credit union will also explore and apply more innovative means of collecting on debt in 2015. We intend to continue our aggressive approach of asset recovery and liquidation.

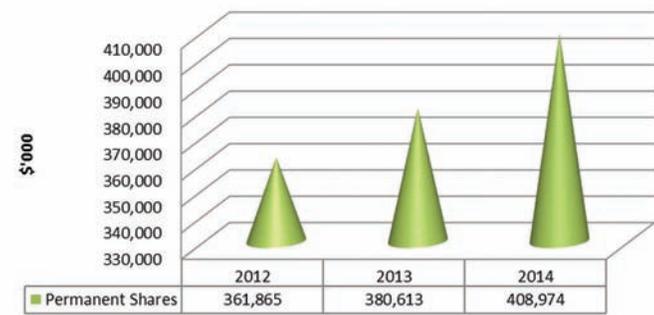
Comparison between Shares and Savings Deposit for 2010-14



Membership-Permanent Shares

The Credit Union's adult and CARES membership grew by 6407 (2013:5,186) or 2% and 2480 (2013:2,299) or 2% respectively, in 2014. Permanent shares increased by \$28M (2013:\$19M) when compared to 2013. Membership compliance was 59.27% compared to 58.22% in 2013. We now have over 155,000 (2013:148,000) members being fully compliant out of a total active membership of 264,000 adult members. Several initiatives were implemented in 2014 to encourage our members to become permanent share compliant.

Permanent Shares for 2010-14



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TREASURER'S REPORT Cont'd

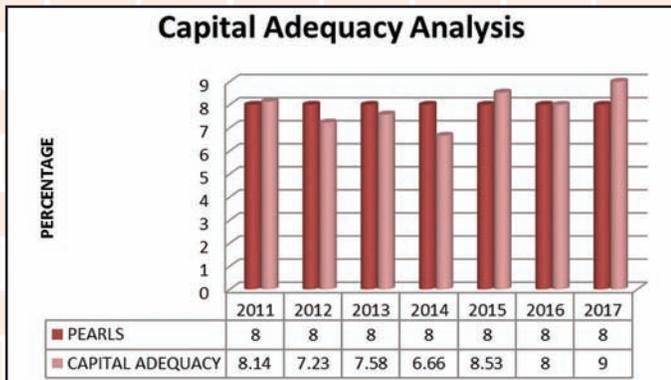
Cost Management

COK Sodality will continue to make cost containment a culture within the Credit Union with emphasis on efficiency management. We believe that an efficient COK Sodality will ultimately lead to world class customer service and service delivery which eventually leads to volume growth. In 2014, we rolled out our fully automated payroll processing system as well as our new and improved payment system. These two new systems have led to cost reduction in stationery and printing cost, improved processing time for transactions and member satisfaction.

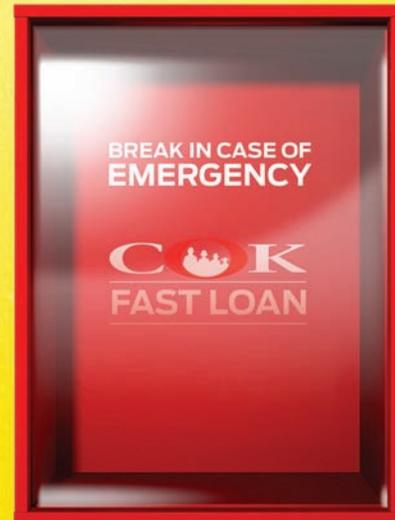
In 2015, we will continue enhancing our core banking system by introducing a loan fee module, improve our website and our online banking facility. These initiatives, we believe will improve our time to market with products and a fast turnaround for loans, as well as, give our membership an enhanced in-branch and out of branch service. We continue to look at resources and where necessary ensure that COK Sodality will have the right fit to deliver upon our objectives.

Capital Adequacy

In 2015, the Credit Union will boost its capital adequacy ratio by increasing permanent share requirement, together with an anticipated increase in permanent share attributable to loans growth in the amount of \$44M. This added to the planned contribution from surplus of \$34M, constitute the capital management plan to achieve \$158M of capital or 8.53% capital adequacy ratio in 2015. The below plan constitute the capital management plan through to 2017.



COK Fast Loan



Need cash to get out of a jam fast?
Come to COK and get up to \$500,000
With a **COK FAST LOAN.**

- ✓ Borrow up to \$500,000
- ✓ No collateral required
- ✓ Up to 4 years to repay
- ✓ Very attractive interest rates



1-876-960-ICAN (4226)

TREASURER'S REPORT Cont'd



The table below summarizes the Budget of the credit union's operations for 2015 as compared to 2014

2015 BUDGET REVENUE AND EXPENDITURE STATEMENT

BUDGET \$'000	2014		%		2015 BUDGET \$'000
	ACTUAL \$'000	+ / (-)			
				INTEREST INCOME	
698,563	678,386	(20,177)	(3)	Members' Loans	783,442
138,607	149,196	10,589	8	Investments and Deposits	131,078
<u>837,170</u>	<u>827,582</u>	<u>(9,588)</u>	<u>(1)</u>		<u>914,520</u>
				FOR WHICH OUR INTEREST COST AND OTHER EXPENSES WERE	
153,306	148,308	4,998	3	INTEREST ON MEMBERS' DEPOSITS	163,534
24,826	27,533	(2,707)	(11)	INTEREST ON MEMBERS' SHARES (DEFERRED)	25,038
60,090	133,435	(73,345)	(122)	LOANS AND OTHER PROVISIONS	90,728
14,560	29,191	(14,631)	(100)	OTHER FINANCIAL COSTS	21,585
15,545	1,776	13,769	89	INTEREST ON EXTERNAL CREDIT	20,571
<u>268,327</u>	<u>340,243</u>	<u>(71,916)</u>	<u>(27)</u>		<u>321,456</u>
568,843	487,339	(81,504)	(14)	LEAVING A NET INTEREST OF AND WE ADD NET EARNINGS FROM NON - INTEREST SOURCES	593,064
20,693	13,043	(7,650)	(37)	CREDIT CARD	7,750
5,462	9,190	3,728	68	REMITTANCE SERVICES	9,677
14,572	8,408	(6,164)	(42)	CAMBIO SERVICES	11,818
309,550	262,877	(46,673)	(15)	FEES AND OTHER INCOME	303,442
<u>350,277</u>	<u>293,518</u>	<u>(56,759)</u>	<u>(16)</u>		<u>332,687</u>
919,120	780,857	(138,263)	(15)	MAKING OUR GROSS MARGIN BEFORE OPERATING EXPENSES	925,751
847,010	816,661	30,349	4	FROM WHICH WE DEDUCT OUR OPERATING EXPENSES	892,742
72,110	(35,804)	(107,914)	(150)	LEAVING AN OPERATING INCOME / (LOSS)	33,009
1,000	(8,354)	(9,354)	(935)	ADD SHARE OF PROFIT OF ASSOCIATES	1,000
<u>73,110</u>	<u>(44,158)</u>	<u>(117,268)</u>	<u>(160)</u>	LEAVING A NET INCOME/LOSS	<u>34,009</u>

ANNUAL REPORT 2014



TREASURER'S REPORT Cont'd

2015 BUDGET BALANCE SHEET STATEMENT

2014				2015		
<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>		<u>BUDGET</u>		
<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>	<u>\$'000</u>		
OUR ASSETS						
5,051,852	5,056,289	4,437	0%	LOANS TO US AS MEMBERS	5,600,707	
2,006,629	1,751,672	(254,957)	-13%	OUR INVESTMENTS IN OTHERS	1,716,129	
50,418	116,892	66,474	132%	CASH IN HAND & AT BANK	59,839	
351,341	358,390	7,049	2%	OWING TO US BY OTHERS	321,479	
279,125	240,749	(38,376)	-14%	FIXED ASSETS WE PURCHASED	228,133	
<u>7,739,365</u>	<u>7,523,992</u>	<u>(215,373)</u>	<u>-3%</u>	MAKING OUR GRAND TOTAL ASSETS	<u>7,926,287</u>	
					% GROWTH PROJECTED	5%
SOURCES FROM WHICH OUR ASSETS ARE FINANCED						
2,275,000	2,190,876	(84,124)	-4%	OUR SAVINGS IN SHARES	2,132,000	
4,347,387	4,398,614	51,227	1%	OUR SAVINGS IN DEPOSITS	4,647,887	
<u>6,622,387</u>	<u>6,589,490</u>	<u>(32,897)</u>	<u>0%</u>	MAKING OUR TOTAL SAVINGS	<u>6,779,887</u>	
462,467	462,911	444	0%	INSTITUTIONAL CAPITAL	469,702	
417,000	408,974	(8,026)	-2%	PERMANENT SHARES	525,641	
300,000	300,000	-	0%	DEFERRED SHARES	300,000	
2,132	5,638	3,506	164%	INVESTMENT REVALUATION RESERVE	6,000	
-	23,481	23,481	100%	LOAN LOSS RESERVE	23,481	
97,806	120,934	23,128	24%	PENSION RESERVE	97,806	
<u>(536,601)</u>	<u>(670,861)</u>	<u>(134,260)</u>	<u>-25%</u>	NON-INSTITUTIONAL CAPITAL	(635,484)	
7,365,191	7,240,567	(124,624)	-2%	MAKING THE GRAND TOTAL WE OWN AS MEMBERS	7,567,033	
374,174	283,425	(90,749)	-24%	WE OWED OTHERS AT YEAR-END	359,254	
AGREEING THE SOURCES OF FINANCING WITH OUR TOTAL ASSETS						
<u>7,739,365</u>	<u>7,523,992</u>	<u>(215,373)</u>	<u>-3%</u>		<u>7,926,287</u>	

TREASURER'S REPORT Cont'd

CONCLUSION & ACKNOWLEDGEMENTS

Despite the various challenges associated with operating in a highly competitive environment, COK Sodality believes it is well positioned to return to sustainable profitability. The credit union remains committed to providing financial assistance to its members in a cost effective and efficient manner. We are a safe repository for savings, and despite the fragile environment in which we currently operate and the loss of 2014 which resulted primarily because of an exceptional provision of \$58.8M, we remain very positive in our ability to play an important part in fostering financial independence and creating wealth for our members. Our primary mission is to improve our members' well-being and we will continue to provide those opportunities for you our valued members to achieve your goals.

I wish to thank the management and staff of the Credit Union for remaining steadfast in their duties to the organization. It is never easy to operate in a dynamic environment. Thanks also to the cadre of volunteers who unselfishly give of their time and talent, and were very forthcoming with ideas and suggestions about improving the Credit Union.

Special thanks to the Department of Cooperatives and Friendly Societies and The Jamaica Cooperative Credit Union League for their guidance and support during the year. Finally to our Auditors, KPMG, who conducted and completed their audit in a timely manner thereby enabling us to submit our financial statements within the stipulated timeframe.

Finally, I am grateful to you our members for your continued support of the credit union and the opportunity to have served in this capacity.



Steadman Pitterson
Treasurer

Proposal for the fixing of Maximum Liability To 31st December 2015

In keeping with Rule 70, it is proposed that Maximum Liability to 31 December, 2015 be set at \$7.8 billion, being 12 times the 2014 total capital, inclusive of Deferred Share of \$300 million, projected at \$651 million

For and behalf of the Board of Directors



Steadman Pitterson
Treasurer



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COK SODALITY CO-OPERATIVE CREDIT UNION LTD.
Invest in your future today!

**Now Offering FREE WIFI
Connection in all Branches**

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ANNUAL REPORT 2014



TREASURER'S REPORT Cont'd

PRUDENTIAL INDICATORS	PEARLS	2014	2013	2012	2011	2010
PROTECTION						
Allow for Loan Loss/Delinquency > 12 mths	100	100	100	100	100	100
Allow for Loan Loss/Delinquency 6-12 mths	60	60	60	60	60	60
Allow for Loan Loss/Delinquency 3-6 mths	30	30	30	30	30	30
Allow for Loan Loss/Delinquency 2-3 mths	10	10	10	10	10	10
EFFECTIVE FINANCIAL STRUCTURE						
Net Loans / Total Assets	60-80	67.20	63.38	56.27	47	50
Liquid Assets / Total Assets	max 20	11.71	11.80	13.54	23	28
Financial Investments / Total Assets	max 10	13.12	15.78	18.82	16	9
Total Savings / Total Assets	70-80	87.58	88.75	87.53	86	90
Shares / Total Assets	10 - 20	29.12	30.38	30.20	30	32
Institutional Capital / Total Assets	min 8	6.66	7.58	7.23	8.14	3.1
ASSET QUALITY						
Delinquency (>1mth) / Gross Loan Portfolio	<=5	9.10	10.42	10.51	7	11
non-Earnin Assets / Total Assets	<=7	8.04	9.37	10.28	15	11
RATES OF RETURN AND COSTS						
Net Loan Income / Average Net Loan	mkt rate	13.54	14.67	15.02	18	18
Operating Expenses / Average Assets	<=8	10.93	10.66	11.37	10.9	10.2
Net Margin / Average Assets	>5	-0.46	0.09	-1.83	0.74	-6.6
Loan loss provision / Average Assets	cover loss	1.49	1.55	1.7	1.50	2.7
LIQUIDITY						
Liquidity reserves / Total savings deposits	10	11.63	11.52	14.14	26	31
Non earning liquid assets / Total Assets	<1	1.55	1.57	1.16	2	1.5
SIGNS OF GROWTH (YTD)						
Loans (gross)		12	12	19	(5)	(18)
Savings Deposits		2	2	3	0	4
Shares		0.25	1	0	(3)	(13)
Institutional Capital		-	-	-	7	59
Membership	5%	3%	2%	3%	3%	6%
Total assets	>=inflation	5.50%	0.22%	-0.29%	4%	-10%

COK SODALITY - CORPORATE CITIZEN



CEO Jacqueline Mighty lays a tile at the office of the Diabetic Association of Jamaica - COK Sodality Labour Day Project 2014



COK Sodality's Montego Bay Branch painted the Salt Spring Primary School as its Labour Day Project



Cross Roads' Sean Lewis provided a drink and toiletries to the homeless in the Cross Roads area.



Half Way Tree Branch Manager, Morris Livingston and MRO Roger Lim Sang assisted in the branch community outreach Feed & Read Programme



CEO Jacqueline Mighty and staff members hand a bag of goodies to a member of the public as COK gives back.



Praise and thanksgiving as COK Sodality celebrated its 47th anniversary.

**Giving
back
while
giving
Thanks**



COK Sodality's Mandeville Branch took on the repainting of the Curphey's Home as their Labour Day Project for 2014



Children of COK Sodality's members benefited from Scholarships offered in 2014

ANNUAL REPORT 2014



COK'S MANAGEMENT TEAM



Jacqueline Mighty
Chief Executive Officer



Linda Miller
Chief Operations Officer



Shaun Barrett-Radcliffe
MIS



Roshene Betton
Legal Counsel



Dianne Bolton
Credit Origination



Hugh Campbell
DMU



Vevine Cameron
Credit Administration



Rexona Christie
Facilities & Procurement



Andre Gooden
Investment & Treasury



Juliet Henry
Branch Operations



Millicent Isaacs
HR & L



Anthony Morris
Internal Audit



Claudine Scott
Member Experience



Emma Thomas
Sales & Marketing



Trisha Williams
Finance & Accounts



Stanford Hastings
Mandeville



Morris Livingston
Half Way Tree



Tina Livingston
Cross Roads



Oral Sewell
Portmore



Roger Shippey
Montego Bay

TEAM MEMBERS

CEO's OFFICE / STRATEGIC PLANNING & BUSINESS DEVELOPMENT



L-R: Janet Tate, Vivene Thompson, Jacqueline Mighty (CEO)

INTERNAL AUDIT



(L-R): Richardo Jones, Rachel Tomlinson, Kadian McDonald, Anthony Morris (Manager)

MANAGEMENT INFORMATION SYSTEMS



FRONT ROW (L-R): Shaun Barrett-Radcliffe (Manager), Omar Morgan, Nateisha McDonald-Lawrence, Delecia Mair-Grizzle BACK ROW (L-R): Claudette Seballo-Myrie, Andre Stevens, Austin Briscoe

HUMAN RESOURCE & LEARNING



(L-R): Tashoy Hayles-Talbert, Barbara McKenzie, Millicent Isaacs (Manager), Dawn Gardner-Rose, Krystal Roper, Dorraine Wright, Cegartha Hayles.

SECURITIES ADMIN



FRONT ROW (L-R): Winsome Whyllie-Tai, Roshene (Legal Counsel) Betton, Tanysh Rhoden, Merril Tomlinson, Shelly Cargill-Brooks, Horane Plunkett BACK ROW (L-R): Andre Corrie, Junior Pearce, Taffar Simpson, Erell Crooks MISSING: Keneshia Goulbourne

CREDIT



FRONT ROW (L-R): Antoinette Lynch, Donald Tomlinson, Ramonia Brown-Britton, Dianne Bolton (Manager), Antoinette Irving-Chambers BACK ROW (L-R): Shelika Duncan, Antonette Samuels Kevin Dalberry, Famar Edwards, Vevine Cameron (Manager), Clive Thompson

ANNUAL REPORT 2014



TEAM MEMBERS

RECORDS



L-R: Dean Nelson, Althea White, Kemeisha Forrest, Lorraine Broderick, Dwayne Smith.
MISSING: Kevin Graham, Angela Walker-Carby

BRANCH OPERATIONS



L-R: Juliet Henry (Manager, Branch Operations), Paul-Ann James, Linda Miller (COO), Karlene Brown

FACILITIES & PROCUREMENT



FRONT ROW (L-R): Richard Maye, Rexona Christie (Manager), Linda Miller (COO). BACK ROW (L-R): Andrew Kirkland, Sandra Hibbert-Facey. MISSING: Lorina Spencer-Hastings, Ryan Garvin

CENTRALIZED SERVICES UNIT



FRONT ROW (L-R): Desmond Henry, Linda Miller (COO), Jessica Williams, Charlene Campbell, Odette Thomas, Juanique Holmes. BACK ROW (L-R): Stacy-Ann Grant, Debrette Brown, Juliet Henry (Manager, Branch Operations)
MISSING: Natalee Hall, Tanisha Jarrett-Allen

RISK & COMPLIANCE



FRONT ROW (L-R): Linda Miller (Chief Operations Officer), Sharna Meredith-Ramsay, Daniela Dacres. BACK ROW: Brian Dixon

MEMBER EXPERIENCE



(L-R): Amoi Patrick-Tucker, Claudine Scott (Manager)

TEAM MEMBERS

DEBT MANAGEMENT UNIT



FRONT ROW (L-R): Angella Brown, Vivienne Plummer, Deidre Daley, Michelle Coombs, Yashema Berdoe. **2ND ROW (L-R):** Tarika Kelly, Melicia Tait, Julli-Ann McEwan, Kayla Dennis **BACK ROW (L-R):** Christopher Dyer, Hugh Campbell (Manager). **MISSING:** Suisj'aila Wilson

ACCOUNTS



FRONT ROW (L-R): Yashica Byroo, Tamika Farquharson, Heather Wong-Franklin, Patricia Edwards, Trisha Thompson-Williams (Manager). **BACK ROW (L-R):** Trisann Dumay, Christopher Richards, Christopher Walters. **MISSING:** Nkachi Reeves

CAMBIO & REMITTANCE



FRONT ROW (L-R): Patrice Thomas-Hinds, Nadine Matthews, Andre Gooden (Manager). **BACK ROW (L-R):** Jamie Muir, Shayon South, Marlet Fender

FINANCIAL SERVICES



(L-R): Shernel Simms, Lamar Virgo, Sheryl Williams-Gordon, Trisha Thompson-Williams (Manager), Selvina Waite

TREASURY & INVESTMENTS



FRONT ROW (L-R): Donica Bryan, Andre Gooden (Manager), Jacqueline Simpson, Yanique Henry. **BACK ROW (L-R):** Terry-Melissa Ballin, Renee Rattray. **MISSING:** Teasha Fraser-Griffiths

MICRO FINANCING



FRONT ROW (L-R): Dianne Bolton (Manager), Christina McCarthy, Ann-Marie Francis. **BACK ROW (L-R):** Christopher Thomas, Curven Whyte. **MISSING:** Corbeth Thompson, Derrick Heslop

ANNUAL REPORT 2014



SALES & MARKETING / BRANCHES

SALES & MARKETING



L-R: Emma Thomas (Manager), Sam-Wayne Wilson, Valrie Coley-Brown, Joan Davidson, Shanice Hamilton

CROSS ROADS



FRONT ROW (L-R): Darian Davidson, Nakeem Melford, Nicole Shim, Jheanelle Simpson, Daniel-Lee Lewis, Claudette McPherson, Dionne Johnson-Roberts, Karen Ramsay, Mecadian Lattibeaudiere, Annetta Mattocks, Tanesha Campbell, Sashene Miller, Tina Livingston (Branch Manager)
2ND ROW (L-R): Tracy-Ann Gordon, Shana-Lee Hewitt, Karen Maylor-Graham, Anthoy Fagan, Rosalie Johnson, David Duval, Jason Leach, Kristoff Young, Renae Burgess,
BACK ROW (L-R): Floreta Bowen, Letteacha Grant, Othneil Bailey, Clive Thompson, Sheldon Jones, Joevan Duhaney, Sheena Watson, Sean Lewis. MISSING: Marcia Hunter-Anderson

MONTEGO BAY



FRONT ROW (L-R): Kadeisha Bernard, Simone Case, Bianca Dawkins, Fitzroy Sanderson, Alecia Wynter, Geraldine Rosegreen, Khalfani Stoddart-Kerr, Pamela Maddan. SECOND ROW: (L-R) Roger Shippey (Branch Manager) Taimar Nelson, Julane Daley, Geraldine Smith, Patrine Lamont, Orpah Dawkins, BACK ROW (L-R) Beneve Griffiths, Dorrian Clarke, Melodean Cousley., Samora Roper

HALF WAY TREE



FRONT ROW (L-R): Racquel Williams, Charmaine Changoo-Headley, Ramonia Brown-Britton, Latanya Fraser, Keron Brown, Kadian Tullonge, Marie Robinson, Nadine Chin, Kaydian Malcolm, Venese Wright-White, Morris Livingston (Branch Manager). 2ND ROW (L-R): Clifford Brown, Casmarie Sherwood, Glenford Pennington, Roger Lim Sang, Russhaun Thomas, Peter Downey. BACK ROW (L-R): Naizly Nelson, Shelly-Ann Wint, Ineeka Anderson, Nico Bailey, Lidice Ferguson, Jena Wilson.

PORTMORE



FRONT ROW (L-R): Jacqueline Googlar-Bailey, Antonette Irving-Chambers, Shoshanna Johnson, Ruschell Grant, Shenee Hope, Venice Griffiths, Patricia Jones, Gillian Gordon, Devine Gayle. 2ND ROW (L-R): Oral Sewell (Branch Manager), Latoya Linton, Nicholas Clarke, Famar Edwards, Camian Williams, Kimberly Swaby. BACK ROW (L-R): Troy Powell, Kimberly Savage, Alex McCarty, Clinton Lewin, Renee Johnson

MANDEVILLE



FRONT ROW (L-R): Sasha Hunt, Jennifer Thomas, Peta-Gay Bryan, Lashauna Mckenzie, Feona Bennett, Standford Hastings (Branch Manager). 2ND ROW (L-R): Marlan Vickers, Amanda Heron, Nadine Hutchinson, Letiesha Williams. BACK ROW (L-R): Sutaniana Morgan, Alison Gordon, Collin Cotterell, Simone Reid-Windeth

STAFF AWARDS FUNCTION 2014

2014 Branch of the Year



Montego Bay Branch Manager Roger Shippey and his team receiving the Branch of the Year 2014 Award from President Carol Anglin.

2014 Branch of the Year



Branch Manager Roger Shippey collect the trophy for Branch of the Year 2014, a title they hold for two year in a row, from President Carol Anglin

2014 Employee of the Year



Accounts' Christopher Richards receiving the 2014 Employee of the Year Award from CEO Jacqueline Mighty

2014 Top Achievers



From (R -L) Branch Manager Roger Shippey for the Branch of the Year (Montego Bay Branch); Employee of the Year - Christopher Richards; Micro Officers Ann Marie Francis & Julane Daley and Member Relations Officer of the Year - Geraldine Smith.

2014 Member Relations Officer of the Year



Geraldine Smith of the Montego Bay Branch receiving the Member Relations Officer of the Year 2014 Award from Director Al Chambers.

COK Sodality Choir



The COK Sodality Choir perform their version of Kevin Downswell "You Make me Stronger" at the award ceremony



REPORT OF THE CREDIT COMMITTEE FOR 2014

COK Sodality operated in a very challenging economic environment in 2014 which was no different from the previous year. The Government continued in its efforts to attain the desired benchmarks that have been imposed by the International Monetary Fund (IMF) under the current Extended Fund Agreement.

While the Government is seeking to gradually establish a sound macroeconomic framework, the impact at the micro level has not yet been achieved as there still exists a high level of unemployment, reduced purchasing power and aggregate demand and generally a high cost of living. Against this background, the populace and by extension our membership has faced increased hardship which has impacted loan demand to an extent that has not been seen in previous years.

Despite the tight economic conditions, however the Credit Union has been able to achieve a reasonable performance for 2014 which is evidenced by the following:

- Disbursements of \$2.62B which represents 93% of its target for the year and 1.6% or \$40M less than the previous year.
- Growth in the loan portfolio of over \$500M or 12%
- Growth of over 100% in six of its loan products which include Motor Vehicle Loans, Debt Consolidation Loans (secured & unsecured) and Mortgages.

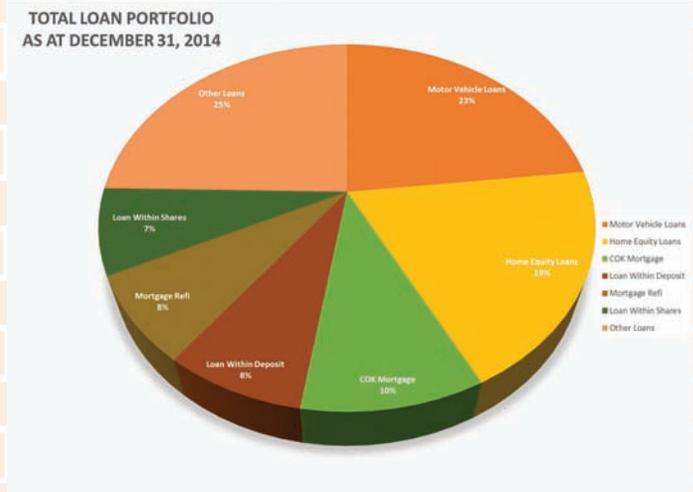
The Credit Bureaus have played a significant role in the loan underwriting process as more informed and quicker decisions were made based on the information that was made available. There is now marked improvement in the quality of the loan assessments which is expected to result in an overall improvement in the quality of the portfolio over time.

PERFORMANCE HIGHLIGHTS

Disbursements for year ended December 31, 2014

Product	YTD Actual \$
COK Pre-Approved Loans	19,102,000
NIF/SME	200,000
Mortgage Refi	3,160,500
COK Pensioners Plus Loan	1,130,405
COK Pensioners Loan	1,170,000
Business Loans	20,80,038
Home Equity Loans	191,552,727
SCHOLAR	22,509,918
Pay Day Loan	164,566,300
SCHOLAR PLUS	31,207,580
Special Education	57,094,843
Micro Loans	146,411,752
Loan within Shares	505,339,468
FAST	51,847,314
Loans within Deposits	339,973,255
Staff Loans	92,707,782
Ratio Loans	44,031,464
COK Debt Con Loan	75,905,378
Mortgage	110,095,000
Motor Vehicle	575,168,369
COK Debt Con Plus	165,025,176
TOTAL	2,618,999,268

TOTAL PORTFOLIO AS AT DECEMBER 2014



REPORT OF THE CREDIT COMMITTEE FOR 2014

Total loans as at year ending December 31, 2014 was \$5.2B with the following products jointly accounting for over 60% of the portfolio:

- Motor Vehicle – 23.15%
- Home equity -19.33%
- Mortgage & Mortgage Refinancing – 17.62%

CREDIT COMMITTEE ACTIVITIES

The Credit Committee held meetings on a fortnightly basis to adjudicate on loans and to review existing loans. Reviews are intended to strengthen the credit risk management process and are therefore primarily geared at determining the following:

1. The adequacy of our credit policies and procedures for the granting of loans
2. Whether loans are granted and/or being managed in accordance with the credit policies and procedures
3. The status of security held to ensure that same are perfected and can be readily enforced in the event of default.

In performing its role, the Credit Committee has observed that the assessment of loans submitted for approval is at an acceptable level, however closer monitoring of loans following disbursement is required as this would allow for early identification of problem accounts and would reduce the likelihood of an account becoming delinquent. The management will therefore be seeking to leverage its current MIS system to enhance its monitoring capabilities.

OUTLOOK

The outlook for COK Sodality remains positive, reflecting the dual impact of internal changes as well as the expected improvements in the broader macroeconomic environment. The passing of the seventh consecutive IMF test with its attendant drawdown, the reduction in the price of petrol in the global economy and the low inflation achieved in the local environment should result in a more favourable growth in the local economy which bodes well for the financial industry and by extension COK Sodality.

Against this background, the stepped up focus of COK Sodality is on further rationalizing and improving its delivery of services which would directly and indirectly improve the bottom-line and contribute to the process of restoring the organization to its number one position in the local credit union sector.

There is cautious optimism for the Credit Union as it relates to the outlook for 2015. COK has been embarking on initiatives such as the centralization of the credit underwriting, securities and disbursement functions to improve its service delivery to its member as well as special promotions to drive loan demand. The ultimate success of these strategies will be a function of the improvements in the broader economic conditions; particularly at the micro level where COK's membership and target market is highly concentrated.

ACKNOWLEDGEMENTS

The Credit Committee would like to acknowledge the assistance of the management and staff for their erstwhile assistance as we exercised oversight responsibility for all loans approved by the Credit Union for the year 2014. Thanks to fellow volunteers for the support during the year. We would also like to thank the members for reposing their confidence in us and we look forward to serving you in the coming year.

The Serving members of the Committee are:



L-R: Irwin Gregory, Donna Pomells, Rohan Townsend, Errol Beckford.
Missing: Catherine Gregory, Lisa Campbell, Ralston Hyman, Lenworth Tracey

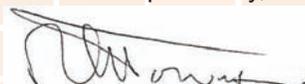
Mesdames:

- Catherine Greory
- Donna Pomells
- Lisa Campbell

Messrs:

- Errol Beckford
- Rev. Norman Francis (resigned January 2015)
- Irwin Gregory (Secretary)
- Ralston Hyman
- Rohan Townsend (Chairman)
- Lenworth Tracey

Yours cooperatively,



Rohan Townsend
Chairman

REPORT OF SUPERVISORY COMMITTEE

Introduction

The Co-operative Societies Act 1950 defines the Supervisory Committee as a committee elected by the members of the credit union at the Annual General Meeting for the purpose of Audit and Supervision of the Society. In the case of COK Sodality, the Supervisory Committee is supported by the Internal Audit Department, and carries out its mandate by examining the affairs of the Credit Union periodically. In addition, the committee reviews and deliberates on investigations into members' complaints affecting the proper running of the Credit Union.

In keeping with the rules of COK Sodality, the Supervisory Committee consists of nine (9) members (Rule Book - Article X, Section 48 (i))

Stated below are the names of the committee members who were duly elected at the 47th Annual General Meeting held on May 9, 2014. They served in the following capacities:

Mesdames:

- Herma Walker - Chairman
- Jacqueline Daley - Secretary
- Beverly Haylett Smith - Member(Resigned)
- Phillippa Edwards - Member
- Vinnate Hall - Member
- Carol Williams - Member

Messrs:

- Alston Reid - Member
- Clive Medwynter - Member
- Arnold Breakenridge - Member

Role and Responsibilities

The Supervisory Committee's mandate is to determine the extent to which the Management and Staff undertake their respective functions in accordance with the policies and rules laid down by the Board of Directors, and the Co-operative Societies Act. The findings therefrom and resulting recommendations are then conveyed to the Board of Directors meeting for their deliberation.

We discharge our responsibility to the general membership by conducting regular reviews of the operations of the Credit Union and provide monthly reports of our findings and recommendations to the Board of Directors and Management.

A summary of our activities for the year is included in this report to the general membership at the Annual General Meeting.

Areas of Focus 2014

During the year, the committee reviewed the operations of the credit union and made recommendations for improvement in the following areas:-

- Branch Operations
- Bank Reconciliations
- Dormant/Inactive Accounts Audit
- IT General Controls Audit
- ATM Reconciliations Review
- Staff Loans Audit
- CUETS Settlement Review
- Proceeds of Crime Act (POCA)/Anti Money Laundering
- Monthly Cash Audit Exercises
- Special Management/Committee Requests

We conducted our reviews in accordance with International Auditing Standards and best practices. The findings revealed general adherence to established policies, procedures and internal controls. Compliance with the related laws and regulations that govern the Credit Union's operations was adequate. Recommendations were made where deemed necessary, the implementation of which resulted in improvements in the Credit Union's activities, thereby reducing the risk of loss to the organisation.

The Committee attended regular monthly meetings of the Board, Finance and Policy, Joint Credit Committee, Debt Management and Audit Risk and Compliance Committees. While attending these meetings, we were able to join with other volunteers in deliberating and making decisions on very important issues affecting the credit union.

Additionally, members availed themselves for training seminars which the committee utilised in making sound recommendations. Careful execution of the planned audits resulted in heightened consciousness and appreciation of the policies and procedures, resulting in improvements being reflected in the internal control environment of the organization. Also with the identification of some risks, we were able to be agents of change in risk mitigation strategies.

REPORT OF SUPERVISORY COMMITTEE

In general, such involvement afforded us to make a significant contribution to the growth and development of the organisation.

The committee continues to bring to the attention of the Board of Directors and other volunteers, issues that impacted the management's performance during the past year.

Challenges

We acknowledge that many of the recommendations made in our reports to the Board were implemented in a timely manner; however, we are still concerned about the pace of resolution of outstanding issues, the absence of which could impact the effectiveness of the governance process of the organization. Also while noting the effort of some members to have an input into the organisation's service delivery experience; we are concerned that the majority of members have not been utilizing the avenues made available via the Suggestion Box.



Front Row: Arnold Breakenridge, Phillippa Edwards, Herma Walker, Alston Reid. Back Row: Clive Medwynter, Carol Williams, Vinnate Hall, Jacqueline Daley

Acknowledgement

The Supervisory Committee continues to acknowledge the work of the Board of Directors, Management, the Administrative support staff, Joint Credit and other committees for their tremendous work during the year. We also appreciate the remarkable work of the Internal Audit staff during the year under review, and for their unwavering support to the committee.



Herma Walker
Chairman - Supervisory Committee

Recommendations

We encourage members to take full advantage of the facilities which have been made available for providing their feedback on the services offered. This will assist management in determining strategies to be employed to improve the delivery of services to members.

To our valued members we say thank you for affording us the opportunity to serve you over the past year. We deem it both a privilege and an honour to have done so.

As Chairman, I would like to thank the hardworking members of this committee for their sterling commitment and dedication. Again, I invite all of us to continue working together as a team in building our organisation, COK Sodality Co-operative Credit Union Limited as we embrace the theme for 2015 – ***Passion – Time for Growth***.



REPORT OF NOMINATING COMMITTEE

The members of the Nominating Committee were:

- Mr. Christopher Robinson - Director and Chairman
- Fr. Burchell McPherson - Member
- Mr. Garth O'Sullivan - Member
- Mrs. Jacqueline Mighty - Staff Liaison
- Mr Hugh Campbell - Staff Liaison
- Mrs. Barbara McKenzie - (Staff Liaison/ Admin Support)



L - R : Garth O'Sullivan, Jacqueline Mighty, Fr. Burchell McPherson, Barbara McKenzie, Hugh Campbell, Christopher Robinson

Committee's Mandate

The mandate of the Committee is to act within the framework of the Rules of COK Sodality Co-operative Credit Union as per Article X111 Rule 65(a) "Not less than thirty (30)days prior to each Annual General Meeting, the Board of Directors shall appoint a Nominating Committee of three (3) members, of which not more than one may be a member of the existing Board of Directors. It shall be the duty of the Nominating Committee to nominate at the Annual General Meeting one member of each vacancy for which elections is being held."

The selection criteria included:

- Loans of the members are being satisfactorily serviced
- Members confirm a willingness to serve as a Volunteer and to dedicate sufficient time in undertaking duties therein.
- Members standing for re-election should have had good attendance record and made good contribution at meetings.
- Members, where required, are willing to complete the Fit and Proper Exercise as required by the Regulators.

The Nominating Committee submits the following members for nomination to the Board of Directors, the Supervisory Committee and the Credit Committee.

BOARD OF DIRECTORS

Article V111 Rule 33(i)

"The Business of the Society shall be conducted by a Board of Directors which shall be elected at the Annual General Meeting of the society and shall consist of not less than five (5) members, all of whom shall be members of the society and eighteen years of age and over, provided that the number of members comprising the Board of Directors shall at all times be an uneven number. Each member shall be eligible for re-election."

RETIRING	RECOMMENDED	TERM IN OFFICE
Miss Carol Anglin	Miss Carol Anglin Management Consultant Ebony Business Printers 25 Eastwood Park Road Kingston 10	2 Years
Mr. Steadman Pitterson	Mr. Steadman Pitterson Management Consultant P.O. Box 449 Kingston 19	2 Years
Mrs. Debbie-Ann Gordon Crawford	Mrs. Debbie-Ann Gordon Crawford Debbie-Ann Gordon & Associates Attorneys-at-Law 79 Harbour Street Kingston	2 Years
Mr. Deryke Smith	Mr. Deryke Smith Senior Manager Finance & Information Housing Agency of Jamaica 13 Caledonia Avenue Kingston 5	2 Years
Mr. Trevor Blake	Mr. Trevor Blake Business Executive Boss Furniture 112c Church Street Kingston	2 Years
Mrs. Marjorie Shaw	Mrs. Marjorie Shaw Attorney-at-Law Brown & Shaw 12 Herb McKenley Drive Kingston 6	2 Years

REPORT OF NOMINATING COMMITTEE

Credit Committee

Article 1X Rule 4(i)

The Credit Committee shall be elected at the Annual General Meeting of the Society and shall consists of not less than three (3) members, all of whom shall be members of the society and age eighteen or over. Each member shall hold office until his successor is elected and shall be eligible for re-election.

RETIRING	RECOMMENDED	TERM IN OFFICE
Mr. I. Errol Gregory	Mr I. Errol Gregory KLAS Sports Radio 17 Haining Road Kingston 5	2 Years
*Rev. Norman Francis	Mrs. Jacqueline Lloyd Carter Collections Officer International Credit Management Solutions 72 Hope Road Kingston 6,	2 Year
Ms.Catherine Gregory	Ms Catherine Gregory Director- Finance & Budget Manpower & Maintenance Services 1 Eureka Road Kingston 5	2 Years
Mr. Ralston Hyman	Mr. Ralston Hyman Financial Analyst Power 106 FM 6 Bradley Avenue. Kingston 10	2 Years
Mr. Rohan Townsend	Mr. Rohan Townsend Chartered Accountant 7 Favorita Avenue Three Oaks Gardens Kingston 20	2 Years
*Miss Lisa Campbell	Mrs. Sharon Usim Usim, Williams & Co. Attorney-at-Law 5 Duke Street Kingston	2 Years
*Mr. Lenworth Tracey	Mr. Patrick Galbraith Director of Taxation & Administration DGS Chartered Accountants & Business Advisors Ltd 6 Leinster Road Kingston 5	2 Years

Three vacancies were created due to the following resignations:-

- *Miss Lisa Campbell
- *Rev. Norman Francis
- *Mr. Lenworth Tracey

SUPERVISORY COMMITTEE

Article X Rule 48(i) (ii) (iii)

The Supervisory Committee shall consist of not less than three members, none of whom shall be members of the Board of Directors or Credit Committee, and all of whom shall be members of the society.”

“Members of the Committee shall be elected, for one year only at each Annual General Meeting. They shall hold office until their successors are elected and shall be eligible for re-election.”

“In the event of a vacancy in the membership of the Committee, the remaining members of the committee shall fill such vacancy by appointing a member who shall hold office only until the next Annual General Meeting. “

RETIRING	RECOMMENDED	TERM IN OFFICE
Ms. Herma Walker	Ms. Herma Walker Audit Consultant 764 Cedar Grove Boulevard Gregory Park P.O. St. Catherine	1 Year
Mrs. Jacqueline Daley	Mrs. Jacqueline Daley Facey Commodity Merchandise Division 61 Newport Boulevard Kingston 11	1 Year
Mrs. Carol Williams	Mrs. Carol Williams Clinical Psychologist International University of the Caribbean Centre for Counselling Psychological Services Kingston 5	1 Year
Mr. Arnold Breakenridge	Mr. Arnold Breakenridge Breakenridge & Associates 15a Old Hope Road, 5th Floor Kingston 5	1 Year
Mr. Clive Medwynter	Mr. Clive Medwynter Managing Director Paradigm Pioneers Inc. 11 Ardenne Road Kingston 10	1 Year

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REPORT OF NOMINATING COMMITTEE

SUPERVISORY COMMITTEE Cont'd..

RETIRING	RECOMMENDED	TERM IN OFFICE
Mrs. Beverly Haylett Smith	Ms. Charmaine Newsome Attorney-at-Law Ministry of Finance & Planning Financial Investigation Division	1 Year
Mr. Alston Reid	Mr. Alston Reid HR Services Manager National Water Commission. 4 Marescaux Road Kingston 5	1 Year
Ms. Vinnate Hall	Ms. Vinnate Hall Assistant Vice President Internal Audit Sagicor Life Ja. Ltd 28-48 Barbados Avenue Kingston 5	1 Year
Ms. Phillipa Edwards	Ms. Phillipa Edwards Financial Controller Jamaica Customs Department 2-4 King Street Kingston	1 Year

Vacancy was created due to the resignation of Mrs. Beverly Haylett -Smith

JAMAICA CO-OPERATIVE CREDIT UNION LEAGUE

RETIRING	RECOMMENDED	TERM IN OFFICE
Delegates		
Mrs. Jacqueline Mighty	Mrs. Jacqueline Mighty	1 Year
Mr. Steadman Pitterson	Mr. Steadman Pitterson	1 Year
Alternate Delegates		
Mr. Christopher Robinson	Mr. Christopher Robinson	1 Year
Ms. Carol Anglin	Ms. Carol Anglin	1 Year

JAMAICA FISHERMEN CO-OPERATIVE UNION

RETIRING	RECOMMENDED	TERM IN OFFICE
Mr. Neville Rhone	Mr. Neville Rhone	1 Year
Mr. Michael Burke	Mr. Michael Burke	1 Year
Mrs. Jacqueline Mighty	Mrs. Jacqueline Mighty	1 Year

JAMAICA CO-OPERATIVE INSURANCE AGENCY LTD.

RETIRING	RECOMMENDED	TERM IN OFFICE
Mr. Christopher Robinson	Mr. Christopher Robinson	1 Year
Mrs. Jacqueline Mighty	Mrs. Jacqueline Mighty	1 Year

The Nominating Committee has carefully reviewed the eligibility requirements for each vacancy and has taken all reasonable steps to ensure that the nominees meet these requirements.

The Chairman and the members of the Nominating Committee wish to say thanks for the opportunity to serve COK Sodality Co-operative Credit Union.

Christopher Robinson (Mr.)
For & on behalf of the Nominating Committee

DELEGATES REPORT OF THE JAMAICA CO-OPERATIVE CREDIT UNION LEAGUE'S CONVENTION AND THE 73rd ANNUAL GENERAL MEETING

The Jamaica Co-operative Credit Union League's 73rd Annual General Meeting was held from May 15-18, 2014 at the Hilton Rose Hall Hotel & Spa in Montego Bay. It was held under the theme: 'Credit Unions Unite for Good...A Better Way.' Approximately one hundred and fifty (150) delegates and observers attended the week-end meeting.

One of the highlights of the conference was the Annual Awards Dinner which was held on the Friday evening, May 16, 2014.

COK Sodality Co-operative Credit Union copped two awards from the CUNA Group as follows::

- 1st Place - Highest Production Number of New Accounts for Golden Harvest Savings Plan for 2013
- 1st Place - Highest Production Number of New Accounts for FIP for 2013.

Awards were also given for:

- Highest Net Capital Growth - C&WJ Credit Union
- Highest Asset Growth - C&WJ Credit Union
- Credit Union with the highest Solvency - D&G Employees Credit Union
- Credit Union with the highest Return on Assets - Portland Credit Union
- Parish Credit Union with the Highest Net Loan growth - Portland Credit Union
- Most Outstanding Parish Credit Union - Manchester Credit Union.
- Mega Credit Union of the Year Award - JTA Co-operative Credit Union
- Large Credit Union of the Year Award. - JDF Co-operative Credit Union
- Medium Credit Union of the Year Award. - BJ Staff Co-operative Credit Union
- Small Credit Union of the Year Award - Church of the First Born Co-operative Credit Union

Board Report

The Annual General Meeting was chaired by JCCUL's President Derrick Tulloch. All aspects of JCCUL's operations were presented and examined.

League's Performance 2013

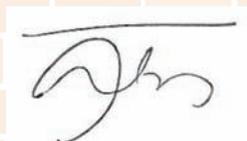
- The league acquired majority share ownership in the Credit Union Fund Management Company (CUFMC) in 2013
- The League's Trade Association recorded loss of \$1.2M on its operations
- The consolidated performance of the League's group of companies (Trade Association and CUFMC) made a surplus of \$211.4M before taxation and \$135.9M after taxation.
- At the end of the year, assets of the Group stood at \$11.5B compared to \$10.1B recorded in the previous year.
- Net institutional capital to assets ratio declined to 11.4% compared to 12.3% in 2013.

The executive team elected at the AGM for the 2014-2015 financial year were:

- | | |
|-------------------------------|-----------------------|
| • Mr. Derrick Tulloch | - President |
| • Ms. Carol Anglin | - 1st Vice President |
| • Mr. Winston Fletcher | - 2nd Vice President |
| • Mrs. Andrea Messam | - Treasurer |
| • Mr. Wilburn Pottinger | - Assistant Treasurer |
| • Mr. Rodcliffe Robertson | - Secretary |
| • Dr. Dorothy Raymond | - Assistant Secretary |
| • Mr. Martin Blackwood | |
| • Rev. Paul Gardner | |
| • Mr. Norris Gilbert | |
| • Mr. O'Neil Grant | |
| • Mr. Jerry Hamilton | |
| • Mr. Clide Nesbeth | |
| • Mr. John Spence | |
| • Mrs. Yvonne Ridguard Harris | |

Delegates and alternates in attendance at the AGM were: Mr. Steadman Pitterson, Mrs. Jacqueline Mighty, Mr. Christopher Robinson and Ms. Carol Anglin.

On behalf of the delegates,



Jacqueline Mighty (Mrs.)
Delegate

Delegates Report to the Annual General Meeting of the Jamaica Fishermen Co-operative Union Ltd. Held at the Medallion Hall Hotel, Kingston - March 12, 2015

The Annual General Meeting (AGM) of the Jamaica Fishermen Co-operative Union Ltd. (JFCU) was held at the Medallion Hall Hotel, 53 Hope Road, Kingston 6 on Thursday, March 12, 2015.

COK Sodality's delegates, Messers. Neville Rhone and Michael Burke were in attendance.

The Board of Directors Report for the period July 2013 to June 2014 was presented by the Board Secretary Mr. Elliston Deleon and highlighted the following matters:

- The Society recorded increased sales of 4% from \$137.6M in 2013 to \$143.0M in 2014
- Operating expenses declined by 1.5% from \$43.1M in 2013 to \$42.4M in 2014.
- The Society achieved a surplus of \$4.6M or 88% over the previous year when it reported a surplus of \$2.1M
- Assets grew by 14% over the previous year largely as a result of increased trade
- The Boat Project made a small surplus of \$334,000 which is an improvement over previous years
- Resolution passed at the last AGM for a Rule change to incorporate Branch Stores
- The Primary co-operatives are becoming non-functional as they are struggling to remain in business. There are presently seven (7) Primary Co-operatives operating.
- International Fishermen's Day activities were celebrated during the week of June 22 – 28, 2014 with a Church Service in Discovery Bay, National Fisher-folk conference in St. Ann and a Regatta in St. Mary.

A Strategic Retreat was held by the Board of Directors in 2014. Delegates from COK Sodality, while supportive of this event as it had been a recommendation from COK Sodality's delegate Michael Burke from 2013, opined at the meeting that such a retreat might have been more useful had all the delegates from the member co-operatives been invited to that Retreat. This they felt would have assisted the JFCU in identifying more meaningful strategies to develop the fishing industry which is currently undergoing many challenges.

The Board advised that another Retreat would be planned before the next AGM in 2016 at which other delegates of JFCU and other members of the Cooperative movement, including Credit Unions, would be invited to make representations to assist the JFCU in their efforts to grow their businesses.

Three delegates were nominated by the Nominating Committee to represent the Jamaica Fishermen's Co-operative Union at National Union of Co-operative Societies (NUCS).

They are:

- Mr. Gaston White - Director and delegate from the Half Moon Bay Fishermen's Co-operative in Portmore, St. Catherine;
- Miss Ionie Henry - Manager JFCU;
- Mr. Michael Burke - delegate from COK Sodality Credit Union.

The three were unanimously elected by the delegates.

The meeting appointed the following persons to the Board of Directors for a period of three (3) years.

- Keith Myrie - Rocky Point Fishermen Co-operative
- Yvonne Cox- Half-Moon Bay Fishermen Co-operative
- Elliston Deleon - Calabash Bay Fishermen Co-operative

Other members of the Board who were not up for re-election at this AGM are:

- Havelan Honeyghan - Gillings Gully Fishermen Co-operative
- Shawn Taylor - Calabash Bay Fishermen Co-operative
- Shawn Ascott - Alloa Fishermen Co-operative
- Ian Edwards - N.E Island Fishermen Co-operative
- Glaston White - Half Moon Bay Fishermen Co-operative
- Junior McDonald - Old Harbour Bay Fishermen Cooperative

On behalf of the delegates,



Michael Burke
Delegate

REPORT OF THE EDUCATION COMMITTEE

The Education Committee, a sub-committee of the Board, has responsibility for, among other things:

- The continuing education among COK's members;
- The development, organization and evaluation of educational programs in order to meet the organisation's educational needs
- Administering the various scholarships offered by the organization
-

Members of the Committee for 2014 were:

- Mr. Al Chambers -Chairman
- Mrs. Marcia Detry Fogah
- Mrs. Norma Chambers
- Mr. Basil Lue
- Mrs. Enid Bonfield
- Mrs. Claudine Scott
- Ms. Millicent Isaacs
- Ms Selvina Waite
- Mr. Peter Downey
- Ms. Dorraine Wright
- Mrs. Dawn Gardner Rose
- Mrs. Barbara McKenzie

The Committee held two (2) meetings during 2014 where it reviewed and discussed the Education Policy, fundraising activities to support the award of scholarships and the Margaret Rodgers Foundation. The Committee, as part of its mandate, also reviews the guidelines that govern the award of scholarships and the Margaret Rodgers Foundation to ensure that they are relevant and meet the needs for which they were established.

The Committee awarded several scholarships and grants totalling approximately \$650,000 during the year namely:

The Bertie Morris Scholarship

This scholarship is open to children of employees with a minimum of two years permanent employment with the organization. A total of 15 scholarships were offered for 2014, in two categories as follows:-

Category 1: Awarded to nine (9) children between the ages of 6 – 11 years of age and tenable at Primary or Private Preparatory Schools, and students who maintain grade averages of 80% and over as we seek to award excellence.

Category 2: Awarded to six (6) children between the ages of 11 - 18 years old and tenable at Secondary or High School.

The Carter Carter Scholarship

This scholarship is open to children of COK Sodality members who are attending or about to enter secondary school. Students should be involved in extra-curricular activities and be 'in need' of financial assistance.

The scholarship is for a period of two years and currently, three students, one from each county, benefit each year.

Trevor Blake Scholarship

This scholarship is open to the general membership and the recipient(s) should be between the ages of 18 – 35, who has been accepted to pursue or is pursuing a Degree in one of the following disciplines: - Management Studies, Banking, Finance or Accounting at a local university.

This scholarship is for a period of two years.

To be eligible for this scholarship, the successful candidate must be a member of COK Sodality for at least two (2) years, or be a child whose parent is a member for at least two (2) years.

Paul Chevannes Scholarship

This scholarship is open to the general membership and the recipient(s) should be between the ages of 18 – 35. The recipient should be pursuing a degree in Management Studies/Business Administration at a local University.

The scholarship is for a period of two years.

To be eligible for the scholarship, the successful candidate must be a member of COK Sodality for at least two (2) years, or a child whose parent is a member for at least two (2) years, and has satisfactorily completed two years in a First Degree Programme.

Margaret Rodgers Foundation Grant

This grant is awarded to the child of a COK Sodality member who has maintained a B+ average, is involved in extra-curricular activities and is in need of financial assistance. One such award was made in 2014.

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REPORT OF THE EDUCATION COMMITTEE

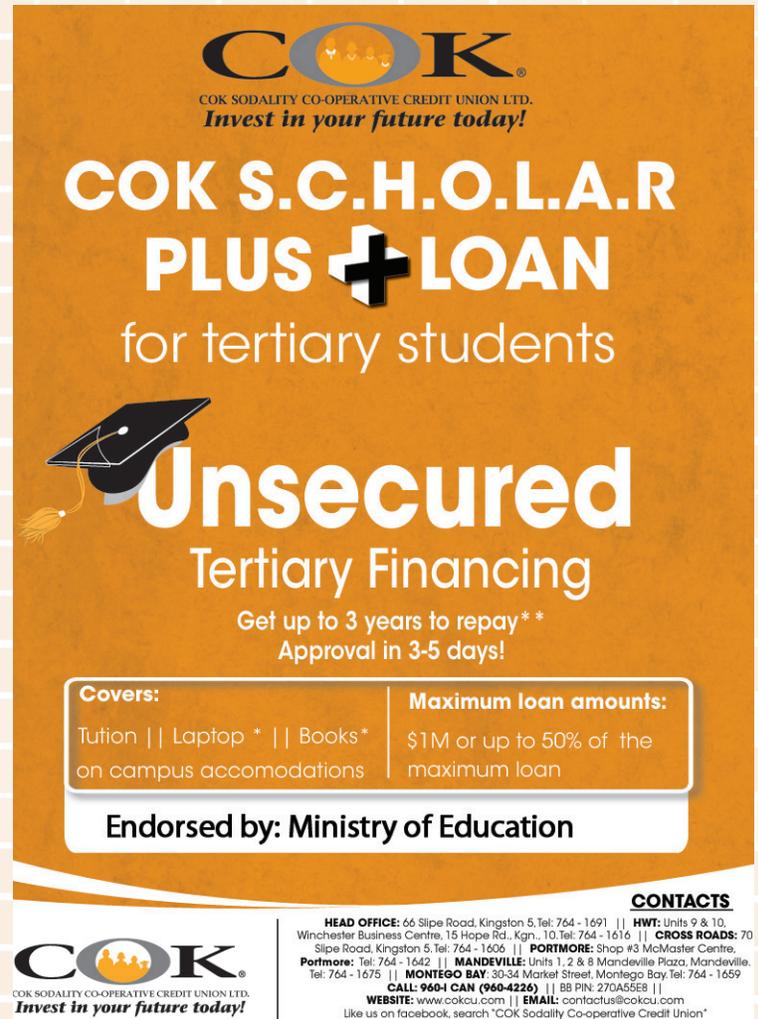
The Education Committee continues to address and support the organisation's education demands in keeping with its mandate.

We would like to thank the members of this Committee for their commitment and dedication. We invite all members to continue to support our Credit Union as it is with your support that we are able to provide these scholarships and grants to improve the well-being of others.

On behalf of the Education Committee,



Al Chambers
Chairman



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Get up to 3 years to repay* *
Approval in 3-5 days!

Covers: Tuition Laptop * Books* on campus accommodations	Maximum loan amounts: \$1M or up to 50% of the maximum loan
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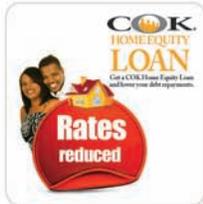
Endorsed by: Ministry of Education

CONTACTS
HEAD OFFICE: 66 Slipe Road, Kingston 5, Tel: 764 - 1491 || **HWT:** Units 9 & 10, Winchester Business Centre, 15 Hope Rd., Kgn., 10, Tel: 764 - 1616 || **CROSS ROADS:** 70 Slipe Road, Kingston 5, Tel: 764 - 1606 || **PORTMORE:** Shop #3 McMaster Centre, Portmore: Tel: 764 - 1642 || **MANDEVILLE:** Units 1, 2 & 8 Mandeville Plaza, Mandeville, Tel: 764 - 1675 || **MONTEGO BAY:** 30-34 Market Street, Montego Bay, Tel: 764 - 1659
CALL: 960-H CAN (960-4226) || **BB PIN: 270A55E8** ||
WEBSITE: www.cokcu.com || **EMAIL:** contactus@cokcu.com
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2 & 8 Mandeville Plaza, Mandeville. || MONTEGO BAY: 30-34 Market Street, Montego Bay.

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OBITUARIES

List of Deceased Members For Whom Claims Were Settled in 2014

1. RICHARDS	ABRAHAMS	47. DORREL	DAVIS
2. GLORIA	AIKMAN	48. JEREL	DAVIS
3. ORRETT	ALLISON	49. MARION	DAVIS
4. ADINA	ANDERSON	50. LUKE	DILLON
5. MERLE	ANDERSON	51. RAYMOND	DIXON
6. HUIMAD	BAHADUR	52. CECIL	DONEGAN
7. CECIL	BAKER	53. DAVE	DOUGLAS
8. KARL	BALLENTINE	54. GEORGE	EDWARDS
9. ROSEMARIE	BANTON-NEMHARD	55. STEVE	EDWARDS
10. VIONA	BARKER	56. ALICEA	ELLIS
11. ANTHONY	BARNES	57. MARGARET	ELLISON
12. JACQUELINE	BARTLEY	58. ALLISON	FACEY
13. ERROL	BECKFORD	59. PAMELLA	FAIRWEATHER
14. GRESFORD	BENNETT	60. WILLIAM	FERGUSON
15. ODEARE	BENNETT	61. ORAYNE	FLEMMING
16. PAMELA	BENTLEY-PEYNADO	62. UTON	FLEMMING
17. PAUL	BERKETT	63. GLORIA	FOSTER
18. SHIRLEY	BLACK	64. DELROY	FRANKLIN
19. MARLON	BOUCHER	65. JANET	FRAZER
20. FRANKLYN	BROOKS	66. THELMA	FUNG
21. EZRON	BROWN	67. FREDRICA	GAYNAIR
22. HENRY	BROWN	68. GLENROY	GILZEAN
23. LESLIE	BROWN	69. ILLYRIA	GLOVER
24. LORNA	BROWN	64. MAURICE	GORDON
25. MICHEAL	BROWN	65. NEITA	GORDON
26. PHILLIP	BROWN	66. RICHARD	GORDON
27. SAMUEL	BROWN	67. JOYCE	GRAHAM-MCGROWDER
28. NADINE	BROWN-PANTON	68. YVONNE	GREEN
29. DOREEN	BURGESS-SHAKES	69. YANNICK	GREGORY
30. CHRISTOPHER	BURKE	70. LEONARD	GRIFFITHS
31. EUNEL	BURKE	71. MAVIS	HALL
32. IAN	BURKE	72. JOHN	HAMILTON
33. ROSE	CAMERON	73. BASIL	HARRIOTT
34. THESLIN	CAMPBELL	74. TACIUS	HAYDEN
35. GLORIA	CAMPBELL-AIKMAN	75. CARL	HEADLAM
36. LAMBERT	CARTY	76. EARL	HEADLAM
37. HERMAINE	CAWLEY	77. HERMAINE	HEADLEY
38. ALLEN	CHEN	79. DONNA	HUTCHINSON-REID
39. VIVIA	CHUNG	80. MARCIA	IRONS
40. GLORIA	CLARKE	81. ADELLA	IRVING
41. TROY	CLARKE	82. GLEN	JACKMAN
42. LORRAINE	CLARKE	83. DONALD	JAMES
43. PHELETA	CONNAGE	84. JUMAINE	JAMES
44. VENA	CONNOLLY	85. WINSTON	JAMES
45. LEROY	COOPER	86. BEULAH	JENKINS
46. DENNIS	DALEY	87. DUNVILLE	JENNINGS

OBITUARIES

List of Deceased Members For Whom Claims Were Settled in 2014 Cont'd.

88. MAXWELL	JOHNSON	134. LORNA	ROBINSON
89. WAYNE	JOHNSON	135. MARLON	ROBINSON
90. EVENIE	KEE	136. REUBEN	ROBINSON
91. BLANDEL	KERR	137. ROSE	ROYAL
92. SHERRY-ANN	KERR	138. SYLVESTER	RUMBLE
93. YVONNE	LESLIE	139. WILTON	SALMON
94. LENWORTH	LEWIS	140. MICHAEL	SAMPSON
95. FLORENCE	LINDO	141. EWART	SAMUELS
96. DOUET	LOWE	142. MARY	SAMUELS
97. PEARLEEN	LUGG	143. PATRICK	SAMUELS
98. WILSON	LYEW	144. CYNTHIA	SAWYERS
99. BARBARA	LYONS	145. JOAN	SERGEANT-HARRIOTT
100. MARCIA	MALABRE	146. DESROY	SHIELDS
101. HUSTAS	MARCHANT	147. CARMEN	SILVERA
102. CHRISTOPHER	MARSHALL	148. ALVIN	SIMPSON
103. DANIEL	MCDONALD	149. JUSTIN	SMITH
104. MERCILYN	MCNEIL	151. MIRIAM	SMITH
105. MAVIS	MIGHTY	152. ROHAN	SPEID
106. ADITER	MILLER	153. CAROL	SPENCER
107. JOYCE	MOORE	154. DAHLIA	SPENCER
108. BARBARA	MORGAN	155. PAUL	STAMP
109. IAN	MORGAN	156. GEORGE	STEWART
110. LINDSAY	MORRIS	157. JOEL	STEWART
111. FLORENCE	MORRISON	158. CECIL	STURRIDGE
112. HYACINTH	NELSON	159. BERNICE	TABANAR
113. LUDLOW	NEUFVILLE	160. CELENA	THOMAS
114. ETHLYN	NORTON-COKE	161. HARRY	THOMAS
115. NOEL	OWENS	162. JONATHAN	THOMAS
116. NEVILLE	PARKES	163. SAMUEL	THOMAS
117. JANET	PARKINSON	164. YVONNE	THOMAS
118. PAMELLA	PATTERSON	165. GEORGIA	THOMPSON
119. MARLENE	PEART	166. MELODENE	THOMPSON
120. MARLENE	PEAT	167. DWIGHT	VASSELL
121. HARTLEY	PHILLIPS	168. MERVYN	WALTERS
122. JOSEPH	PINNOCK	169. LORNA	WATKIS-ANDERSON
123. KAREN	POYSER-SALMON	170. ASWEN	WATSON
124. ALPHANSO	PUSIE	171. BERNICE	WEBB
125. KARL	RAMSAY	173. VASHTI	WHITE
126. BARRY	REID	174. JACQUELINE	WHITFIELD-BROWN
127. CARMEN	REID	175. DONALD	WHYTE
128. WESLEY	REYNOLDS	176. GEORGE	WHYTE
129. EPHRAIM	RICHARDS	177. DONALD	WILLIAMS
130. OWEN	RICHMOND	178. RICHARDO	WILLIAMS
131. IVANHOE	RICKETTS	179. YVONNE	WILLIAMS
132. DAVY	RILEY	180. RAYMORE	WILSON
133. VIOLET	ROACH	181. KESTON	WITTER

OBITUARIES

List of Deceased Members For Whom Claims Were Settled in 2014

182. MARCIA	WOLLERY
183. ALTHEA	WOODFINE
184. FRANCELLA	WRAY
185. ARTHUR	WRIGHT
186. NORMA	WRIGHT
187. ANGELLA	YOUNG-POWNALL



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

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

2 MUSGRAVE AVENUE
KINGSTON 10

TEL: 927-4912/927-6572
or 978-1946
Fax: 927-5832

E-mail: dcfs@cwjamaica.com

S1
R325/-517/03/15

March 31, 2015

The Secretary
COK Sodality Co-operative Credit Union Limited
66 Slipe Road
KINGSTON 5

Dear Sir/Madam,

I forward herewith the Financial Statements of your Society for the year ended December 31, 2014.

The Credit Union should continue its strenuous efforts to curtail the increasing losses and improve its overall capital adequacy position over the long term.

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

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

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

Yours sincerely,

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



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- Your loans are insured at no direct cost to you.*
- Your family can benefit from up to 200% of your savings upon death.*
- Your family achieves peace of mind knowing you have a solid FIP for final expenses.
- You share in any surplus the credit union makes because you are a part owner.

*Conditions Apply



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ANNUAL REPORT 2014

FINANCIAL STATEMENTS

December 31, 2014

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INDEMNITY
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PERSONAL LOAN

MORTGAGE

GOLDEN EGG

**PARTNER
SAVINGS
PLAN**

**CAR
LOAN**

SHARES

**EDUCATION
LOAN**

CARES / SHIELDS



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Chartered Accountants
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Independent Auditors' Report

To the Registrar of Co-operative Societies
COK Sodality Co-operative Credit Union Limited
(A Society Registered Under the Co-operative Societies Act)

We have audited the separate financial statements of COK Sodality Co-operative Credit Union Limited (the co-operative) and the consolidated financial statements of the co-operative and its subsidiary (the group), set out on pages 66 to 117, which comprise the group's and co-operative's statements of financial position as at December 31, 2014, the group's and co-operative's statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Independent Auditors' Report

To the Registrar of Co-operative Societies
COK Sodality Co-operative Credit Union Limited
(A Society Registered Under the Co-operative Societies Act)

Report on the Financial Statements, cont'd

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the group and the co-operative as at December 31, 2014, and of the group's and co-operative's financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Co-operative Societies Act.

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, are correct, duly vouched and in accordance with the provisions of the Co-operative Societies Act.

Chartered Accountants
Kingston, Jamaica

March 31, 2015

COK Sodality Co-operative Credit Union Limited
(A Society Registered Under the Co-operative Societies Act)

Group Statement of Financial Position
December 31, 2014

	<u>Note</u>	<u>2014</u> \$'000	<u>2013</u> \$'000
ASSETS			
Earning assets:			
Loans to members	4	5,144,998	4,600,561
Credit card advances		20,756	25,472
Less allowance for loan losses	5	(109,465)	(110,733)
	4(b)	5,056,289	4,515,300
Liquid assets	6	848,077	876,844
Financial investments	7	904,304	976,984
Total earning assets		<u>6,808,670</u>	<u>6,369,128</u>
Non-earning assets:			
Liquid assets	8	119,716	112,910
Other assets	9	204,776	262,967
Employee benefits asset	10(a)	120,934	97,806
Property, plant and equipment	11	215,368	231,043
Properties held-for-sale	12	-	-
Intangible asset	13	25,381	21,007
Investment in associate	14(b)	14,101	22,455
Total non-earning assets		<u>700,276</u>	<u>748,188</u>
TOTAL ASSETS		<u>7,508,946</u>	<u>7,117,316</u>
LIABILITIES			
Interest bearing liabilities:			
Savings deposits	15	4,307,734	4,062,005
Voluntary shares	16	2,190,876	2,185,326
Deferred shares	17	300,000	300,000
External credits	18	144,927	47,146
Total interest-bearing liabilities		<u>6,943,537</u>	<u>6,594,477</u>
Non-interest bearing liabilities:			
Payables and accruals	19	206,059	177,104
Other liabilities	20	28,037	8,013
Total non-interest bearing liabilities		<u>234,096</u>	<u>185,117</u>
Total liabilities		<u>7,177,633</u>	<u>6,779,594</u>
EQUITY			
Permanent shares	21	408,974	380,613
Non-institutional capital	22(a)	(690,624)	(609,086)
Institutional capital	22(b)	462,910	462,466
Investment revaluation reserve	23(a)	5,638	5,923
Loan loss reserve	23(b)	23,481	-
Pension reserve	24	120,934	97,806
Total equity		<u>331,313</u>	<u>337,722</u>
TOTAL LIABILITIES AND EQUITY		<u>7,508,946</u>	<u>7,117,316</u>

The financial statements on pages 66 to 117 were approved for issue by the Board of Directors on March 31, 2015 and signed on its behalf by:

 Director

 Treasurer

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

COK Sodality Co-operative Credit Union Limited
(A Society Registered Under the Co-operative Societies Act)

Co-operative Statement of Financial Position
December 31, 2014

	<u>Note</u>	<u>2014</u> \$'000	<u>2013</u> \$'000
ASSETS			
Earning assets:			
Loans to members	4	5,144,998	4,600,561
Credit card advances		20,756	25,472
Less allowance for loan losses	5	(109,465)	(110,733)
	4(b)	5,056,289	4,515,300
Liquid assets	6	847,368	876,166
Financial investments	7	904,304	976,984
Total earning assets		<u>6,807,961</u>	<u>6,368,450</u>
Non-earning assets:			
Liquid assets	8	116,892	112,114
Other assets	9	214,730	270,903
Employee benefits asset	10(a)	120,934	97,806
Property, plant and equipment	11	215,368	231,043
Properties held-for-sale	12	-	-
Intangible asset	13	25,381	21,007
Investment in subsidiary	14(a)	1,000	1,000
Investment in associate	14(b)	21,726	21,726
Total non-earning assets		<u>716,031</u>	<u>755,599</u>
TOTAL ASSETS		<u>7,523,992</u>	<u>7,124,049</u>
LIABILITIES			
Interest bearing liabilities:			
Savings deposits	15	4,307,734	4,062,005
Voluntary shares	16	2,190,876	2,185,326
Deferred shares	17	300,000	300,000
External credits	18	144,927	47,146
Total interest-bearing liabilities		<u>6,943,537</u>	<u>6,594,477</u>
Non-interest bearing liabilities:			
Payables and accruals	19	201,343	174,600
Other liabilities	20	28,037	8,013
Total non-interest bearing liabilities		<u>229,380</u>	<u>182,613</u>
Total liabilities		<u>7,172,917</u>	<u>6,777,090</u>
EQUITY			
Permanent shares	21	408,974	380,613
Non-institutional capital	22(a)	(670,862)	(599,849)
Institutional capital	22(b)	462,910	462,466
Investment revaluation reserve	23(a)	5,638	5,923
Loan loss reserve	23(b)	23,481	-
Pension reserve	24	120,934	97,806
Total equity		<u>351,075</u>	<u>346,959</u>
TOTAL LIABILITIES AND EQUITY		<u>7,523,992</u>	<u>7,124,049</u>

The financial statements on pages 66 to 117 were approved for issue by the Board of Directors on March 31, 2015 and signed on its behalf by:

 Director
C. Anglin

 Treasurer
S. Pitterson

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

COK Sodality Co-operative Credit Union Limited
(A Society Registered Under the Co-operative Societies Act)

Statement of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2014

	Note	Group		Co-operative	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Interest income:					
Loans to members		678,386	648,885	678,386	648,885
Investments and deposits		149,196	145,622	149,152	145,577
		<u>827,582</u>	<u>794,507</u>	<u>827,538</u>	<u>794,462</u>
Interest expense:					
Members' deposits		(175,841)	(160,211)	(175,841)	(160,211)
External credits		(1,776)	(50,679)	(1,776)	(50,679)
		<u>(177,617)</u>	<u>(210,890)</u>	<u>(177,617)</u>	<u>(210,890)</u>
Net interest income		649,965	583,617	649,921	583,572
Provisions for losses:					
Loans to members	5	(57,331)	(40,667)	(57,331)	(40,667)
Interest receivable	9(iv)	(6,846)	1,065	(6,846)	1,065
Other assets	9(iv)	(69,258)	(11,761)	(69,258)	(11,761)
Net interest income after write-offs and provision for losses		516,530	532,254	516,486	532,209
Non-interest income/(expense):					
Other financial costs	25	(29,191)	(26,790)	(28,182)	(25,699)
Fees		184,550	164,125	184,550	163,518
Foreign exchange trading remittance		2,872	2,110	-	-
Gains on disposal of investments		2,076	3,802	2,076	3,802
Dividends from equity investments		506	419	506	419
Share of loss of associate	14(b)	(5,647)	(323)	-	-
Reduction in interest in associate		(2,707)	(2,065)	-	-
Other income	26	<u>103,514</u>	<u>123,439</u>	<u>104,221</u>	<u>123,458</u>
Gross margin		772,503	796,971	779,657	797,707
Operating expenses	27	<u>(816,661)</u>	<u>(793,845)</u>	<u>(813,290)</u>	<u>(791,333)</u>
(Deficit)/surplus for the year		<u>(44,158)</u>	<u> 3,126</u>	<u>(33,633)</u>	<u> 6,374</u>
Other comprehensive income/(loss):					
Item that will never be reclassified to profit or loss:					
Re-measurement gain/(loss) on employee benefits asset [note 10(f)]		9,229	(16,369)	9,229	(16,369)
Item that may be reclassified to profit or loss:					
Change in fair value of available-for-sale financial assets		(285)	46	(285)	46
Total other comprehensive income/(loss)		<u> 8,944</u>	<u>(16,323)</u>	<u> 8,944</u>	<u>(16,323)</u>
Total comprehensive loss for the year		<u>(35,214)</u>	<u>(13,197)</u>	<u>(24,689)</u>	<u>(9,949)</u>

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

COK Sodality Co-operative Credit Union Limited
(A Society Registered Under the Co-operative Societies Act)

Group Statement of Changes in Equity
Year ended December 31, 2014

	Group					
	Permanent shares (Note 21) \$'000	Non-institutional capital [Note 22(a)] \$'000	Institutional capital [Note 22(b)] \$'000	Investment revaluation reserve [Note 23(a)] \$'000	Pension reserve (Note 24) \$'000	Total \$'000
Balances at December 31, 2012	361,865	(610,981)	462,466	5,877	109,674	328,901
Total comprehensive income for the year:						
Surplus for the year	-	3,126	-	-	-	3,126
Other comprehensive income:						
Re-measurement of employee benefits asset	-	(16,369)	-	-	-	(16,369)
Change in fair value of investments	-	-	-	46	-	46
Total comprehensive loss for the year	-	(13,243)	-	46	-	(13,197)
Transaction with owners, recorded directly in equity						
Contributions by and distributions to owners						
Amounts subscribed, net of refunds	22,018	-	-	-	-	22,018
Movements in reserves						
Transfer from permanent share capital reserves	(3,270)	3,270	-	-	-	-
Transfer to pension reserve	-	11,868	-	-	(11,868)	-
Total transactions with owners and movement in reserves	18,748	15,138	-	-	(11,868)	22,018
Balances at December 31, 2013	380,613	(609,086)	462,466	5,923	97,806	337,722

The accompanying notes form an integral part of the financial statements

COK Sodality Co-operative Credit Union Limited
(A Society Registered Under the Co-operative Societies Act)

Group Statement of Changes in Equity (Continued)
Year ended December 31, 2014

	Group						
	Permanent shares (Note 21) \$'000	Non-institutional capital [Note 22(a)] \$'000	Institutional capital [Note 22(b)] \$'000	Investment revaluation reserve [Note 23(a)] \$'000	Loan loss reserve \$'000	Pension reserve (Note 24) \$'000	Total \$'000
Balances at December 31, 2013	380,613	(609,086)	462,466	5,923	-	97,806	337,722
Total comprehensive income for the year:							
Deficit for the year	-	(44,158)	-	-	-	-	(44,158)
Other comprehensive income:							
Re-measurement of employee benefits asset	-	9,229	-	-	-	-	9,229
Change in fair value of investments	-	-	-	(285)	-	-	(285)
Total comprehensive loss for the year	-	(34,929)	-	(285)	-	-	(35,214)
Transactions with owners, recorded directly in equity Contributions by and distributions to owners							
Amounts subscribed, net of refunds	28,361	-	-	-	-	-	28,361
Entrance fees	-	-	444	-	-	-	444
Movements in reserves							
Transfer to pension reserve	-	(23,128)	-	-	-	23,128	-
Transfer to loan loss reserve	-	(23,481)	-	-	23,481	-	-
Total transactions with owners and movement in reserves	28,361	(46,609)	444	-	23,481	23,128	28,805
Balances at December 31, 2014	408,974	(690,624)	462,910	5,638	23,481	120,934	331,313

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

COK Sodality Co-operative Credit Union Limited
(A Society Registered Under the Co-operative Societies Act)

Co-operative Statement of Changes in Equity (Continued)
Year ended December 31, 2014

	Co-operative						
	Permanent shares (Note 21) \$'000	Non-institutional capital [Note 22(a)] \$'000	Institutional [Note 22(b)] \$'000	Investment revaluation capital [Note 23(a)] \$'000	Loan Loss reserve \$'000	Pension reserve (Note 24) \$'000	Total
Balances at December 31, 2012	361,865	(604,992)	462,466	5,877	-	109,674	334,890
Total comprehensive income for the year							
Surplus for the year	-	6,374	-	-	-	-	6,374
Other comprehensive (loss)/income:							
Re-measurement of employee benefits obligations	-	(16,369)	-	-	-	-	(16,369)
Change in fair value of investments	-	-	-	46	-	-	46
Total comprehensive loss for the year	-	(9,995)	-	46	-	-	(9,949)
Transactions with owners, recorded directly in equity Contributions by and distributions to owners							
Amounts subscribed, net of refunds	22,018	-	-	-	-	-	22,018
Movements in reserves							
Transfer from permanent share capital reserves	(3,270)	3,270	-	-	-	-	-
Transfer to pension reserve	-	11,868	-	-	-	(11,868)	-
Total transactions with owners and movement in reserves	18,748	15,138	-	-	-	(11,868)	22,018
Balances at December 31, 2013	380,613	(599,849)	462,466	5,923	-	97,806	346,959

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

COK Sodality Co-operative Credit Union Limited
(A Society Registered Under the Co-operative Societies Act)

Co-operative Statement of Changes in Equity (Continued)
Year ended December 31, 2014

	Co-operative						
	Permanent shares (Note 21) \$'000	Non-institutional capital [Note 22(a)] \$'000	Institutional capital [Note 22(b)] \$'000	Investment revaluation reserve [Note 23(a)] \$'000	Loan loss reserve	Pension reserve (Note 24) \$'000	Total \$'000
Balances at December 31, 2013	380,613	(599,849)	462,466	5,923	-	97,806	346,959
Total comprehensive income for the year							
Deficit for the year	-	(33,633)	-	-	-	-	(33,633)
Other comprehensive (loss)/income:							
Re-measurement of employee benefits obligations	-	9,229	-	-	-	-	9,229
Change in fair value of investments	-	-	-	(285)	-	-	(285)
Total comprehensive loss for the year	-	(24,404)	-	(285)	-	-	(24,689)
Transactions with owners, recorded directly in equity Contributions by and distributions to owners							
Amounts subscribed, net of refunds	28,361	-	-	-	-	-	28,361
Entrance fees	-	-	444	-	-	-	444
Movements in reserves							
Transfer to pension reserve	-	(23,128)	-	-	-	23,128	-
Transfer to loan loss reserve	-	(23,481)	-	-	23,481	-	-
Total transactions with owners and movement in reserves	28,361	(46,609)	444	-	23,481	23,128	28,805
Balances at December 31, 2014	<u>408,974</u>	<u>(670,862)</u>	<u>462,910</u>	<u>5,638</u>	<u>23,481</u>	<u>120,934</u>	<u>351,075</u>

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

COK Sodality Co-operative Credit Union Limited
(A Society Registered Under the Co-operative Societies Act)

Statement of Changes in Equity (Continued)
Year ended December 31, 2014

	Non-Institutional Capital			Total
	<u>Prior undivided earnings</u>	<u>Permanent share capital reserves</u>	<u>Undistributed surplus/deficit</u>	
	[Note 22(a)(ii)] \$`000	[Note 22(a)] \$`000	\$`000	
	Group			
Balances at December 31, 2012	(180,000)	225	(431,206)	(610,981)
Allocated to members	-	3,270	-	3,270
Surplus for the year	-	-	3,126	3,126
Transfer to pension reserve	-	-	11,868	11,868
Re-measurement of employee benefit asset	<u>-</u>	<u>-</u>	<u>(16,369)</u>	<u>(16,369)</u>
Balances at December 31, 2013	(180,000)	3,495	(432,581)	(609,086)
Deficit for the year	-	-	(44,158)	(44,158)
Re-measurement of employee benefit asset	-	-	9,229	9,229
Transfer to pension reserve	-	-	(23,128)	(23,128)
Transfer to loan loss reserve	<u>-</u>	<u>-</u>	<u>(23,481)</u>	<u>(23,481)</u>
Balances at December 31, 2014	<u>(180,000)</u>	<u>3,495</u>	<u>(514,119)</u>	<u>(690,624)</u>
	Co-operative			
Balances at December 31, 2012	(180,000)	225	(425,217)	(604,992)
Allocated to members	-	3,270	-	3,270
Surplus for the year	-	-	6,374	6,374
Transfer to pension reserve	-	-	11,868	11,868
Re-measurement of employee benefit asset	<u>-</u>	<u>-</u>	<u>(16,369)</u>	<u>(16,369)</u>
Balances at December 31, 2013	(180,000)	3,495	(423,344)	(599,849)
Deficit for the year	-	-	(33,633)	(33,633)
Transfer to loan loss reserve	-	-	(23,481)	(23,481)
Transfer to pension reserve	-	-	(23,128)	(23,128)
Re-measurement of employee benefit asset	<u>-</u>	<u>-</u>	<u>9,229</u>	<u>9,229</u>
Balances at December 31, 2014	<u>(180,000)</u>	<u>3,495</u>	<u>(494,357)</u>	<u>(670,862)</u>

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

COK Sodality Co-operative Credit Union Limited
(A Society Registered Under the Co-operative Societies Act)

Statement of Cash Flows
Year ended December 31, 2014

	Group		Co-operative	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities:				
(Deficit)/surplus for the year	(44,158)	3,126	(33,633)	6,374
Adjustments for:				
Interest income	(827,582)	(794,507)	(827,538)	(794,462)
Interest expense	177,617	210,890	177,617	210,890
Depreciation and amortisation	54,502	50,107	54,502	50,107
Employee benefits asset	(2,033)	7,122	(2,033)	7,122
Loss on the disposal of property, plant and equipment	143	-	143	-
Provision for loan and other losses	133,435	49,733	133,435	49,733
Reduction in interest of associate	2,707	2,065	-	-
Share of loss of associate	<u>5,647</u>	<u>323</u>	<u>-</u>	<u>-</u>
	(499,722)	(471,141)	(497,507)	(470,236)
Changes in operating assets and liabilities				
Loans to members	(768,555)	(704,744)	(768,555)	(704,744)
Credit card advances	4,716	7,303	4,716	7,303
Saving deposits	227,900	1,508	227,900	1,508
Other assets	(17,913)	11,386	(19,931)	13,524
Non-interest bearing liabilities	48,979	(30,947)	46,767	(31,802)
Voluntary shares	5,550	18,099	5,550	18,099
External credits	<u>99,995</u>	<u>5,000</u>	<u>99,995</u>	<u>5,000</u>
	(899,050)	(1,163,536)	(901,065)	(1,161,348)
Interest received	1,020,534	994,386	1,020,470	994,321
Interest paid	<u>(158,521)</u>	<u>(196,130)</u>	<u>(158,521)</u>	<u>(196,130)</u>
Net cash used by operating activities	<u>(37,037)</u>	<u>(365,280)</u>	<u>(39,116)</u>	<u>(363,157)</u>
Cash flows from investing activities:				
Investment in debentures, shares and bonds	44,962	211,166	44,982	211,186
Acquisition of intangible asset	(16,500)	(16,988)	(16,500)	(16,988)
Acquisition of property, plant and equipment	(26,844)	(14,891)	(26,844)	(14,891)
Pension contributions	<u>(11,866)</u>	<u>(11,622)</u>	<u>(11,866)</u>	<u>(11,622)</u>
Net cash (used)/provided by investing activities	<u>(10,248)</u>	<u>167,665</u>	<u>(10,228)</u>	<u>167,685</u>
Cash flows from financing activities:				
Permanent shares	28,361	22,018	28,361	22,018
Entrance fee	444	-	444	-
Repayment of borrowings	<u>(3,481)</u>	<u>(1,623)</u>	<u>(3,481)</u>	<u>(1,623)</u>
Net cash provided by financing activities	<u>25,324</u>	<u>20,395</u>	<u>25,324</u>	<u>20,395</u>
Decrease in liquid assets	(21,961)	(177,220)	(24,020)	(175,077)
Liquid assets at beginning of the year	<u>989,754</u>	<u>1,166,974</u>	<u>988,280</u>	<u>1,163,357</u>
Liquid assets at end of the year	<u>967,793</u>	<u>989,754</u>	<u>964,260</u>	<u>988,280</u>
Comprising:				
Liquid assets – earning	848,077	876,844	847,368	876,166
Liquid assets – non-earning	<u>119,716</u>	<u>112,910</u>	<u>116,892</u>	<u>112,114</u>
	<u>967,793</u>	<u>989,754</u>	<u>964,260</u>	<u>988,280</u>

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

COK Sodality Co-operative Credit Union Limited
(A Society Registered Under the Co-operative Societies Act)

Notes to the financial statements
December 31, 2014

1. Identification

- (a) City of Kingston Co-operative Credit Union Limited (the Society) was registered under the Co-operative Societies Act. On November 1, 2009, the Society merged with Sodality Co-operative Credit Union Limited and the name of the Society was changed to COK Sodality Co-operative Credit Union Limited (“the co-operative” or “COK”). Membership is limited to (a) persons living or working in the corporate area, (b) persons of the Catholic Faith, (c) employees of COK, (d) relatives of (b) and (c) wherever they may reside and (e) other co-operative societies. The co-operative’s operations are concentrated in the parishes of Kingston, St. Andrew, St. Catherine, St. James and Manchester. Its registered office and principal place of business is located at 66 Slipe Road, Kingston.

The co-operative’s main activities are the promotion of thrift, the provision of loans to members exclusively for provident and productive purposes and to receive the savings of its members either as payments on shares or as deposits.

The co-operative is exempt from Income Tax under Section 59 (1) of the Co-operative Societies Act and Section 12 of the Income Tax Act.

As at December 31, 2014, the co-operative employed 116 (2013: 119) permanent persons.

The co-operative is a member of and is supervised by the Jamaica Co-operative Credit Union League (JCCUL).

- (b) The co-operative’s subsidiary and associate are as follows:

Subsidiary	Principal Activity	Percentage Ownership	Country of Incorporation
COK Remittance Services Limited	Remittance and Money Transfer Services	100%	Jamaica
Associate			
Money Masters Limited	Investment broker	22.86%	Jamaica

The co-operative, together with its subsidiary, are collectively referred to as the “group”.

2. Basis of preparation

- (a) Statement of compliance

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

- (b) Basis of measurement:

The financial statements are prepared on the historical cost basis, except for the inclusion of certain investments at fair value. The methods used to measure fair values are set out in note 3(c). Additionally, the defined benefit asset is recognised as the fair value of plan assets less the present value of the defined benefit obligation.

COK Sodality Co-operative Credit Union Limited
(A Society Registered Under the Co-operative Societies Act)

Notes to the financial statements (continued)
December 31, 2014

2. Basis of preparation (cont'd)

(c) Functional and presentation currency:

These financial statements are presented in Jamaica dollars, which is the functional currency of the co-operative. All financial information presented in Jamaica dollars has been rounded to the nearest thousands, except as otherwise indicated.

(d) Use of estimates and judgements:

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

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

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

(i) Pension and other post-retirement benefits:

The amounts recognised in the statement of financial position and statement of comprehensive income for pension and other post-retirement benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include the discount rate used to determine the present value of estimated future cash flows required to settle the pension obligations.

The discount rate is determined based on the estimated yield on long-term government securities that have maturity dates approximating the terms of the co-operative's obligations; in the absence of such instruments in Jamaica, it has been necessary to estimate the rate by extrapolating from the longest-tenor security on the market. Any changes in these assumptions will impact the amounts recorded in the financial statements for these obligations.

(ii) Allowance for loan loss:

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

COK Sodality Co-operative Credit Union Limited
(A Society Registered Under the Co-operative Societies Act)

Notes to the financial statements (continued)
December 31, 2014

2. Basis of preparation (cont'd)

(d) Use of estimates and judgements (cont'd):

(iii) Property, plant and equipment and intangible assets:

The residual value and useful lives of property, plant and equipment and intangible assets are reviewed at the reporting date, and, if expectations differ from previous estimates, the change is accounted for as a change in accounting estimates. The useful life of an asset is defined in terms of the asset's expected utility to the group.

(iv) Going concern:

The preparation of the financial statements in accordance with IFRS also assumes that the co-operative will continue in operational existence for the foreseeable future. This means, in part, that the statements of profit or loss and other comprehensive income and financial position assume no intention or necessity to liquidate the co-operative or curtail the scale of its operations. This is commonly referred to as the going concern basis.

The co-operative has reported a loss for the year ended December 31, 2014 and it has a significant deficit in non-institutional capital of \$671 million (2013: \$600 million) for the co-operative and \$690 million (2013: \$609 million) for the group. Of this amount, JCCUL has guaranteed an amount of up to \$180 million [see note 22(a)(ii)]. Institutional capital totalled \$463 million (2013: \$462 million) for the co-operative and the group, while total equity is \$351 million (2013: \$347 million) for the co-operative and \$331 million (2013: \$338 million) for the group.

Over the period under review, Management initiated several programmes to improve its financial performance in keeping with its strategic plans and achieved the following:

- Loan to asset ratio improved from 57% to 67%;
- Interest income on loans increased by 5%;
- Contained operating expenses at 6% , falling below the annual inflation rate; and
- Automated several processes to improve efficiency and controls

The strategic plans of the co-operative for the near term envisages a return to sustainable profitability and include, but are not limited to:

- increasing the loan to asset ratio from 67% (2014) to 70% by growing higher yield loan portfolio thereby increasing interest income;
- managing loan delinquency to an acceptable level of 6% (2014: 9%);
- reducing the level of operating expenses through various initiatives to within annual inflation estimated at 9% (2014: 6%); and
- increasing the permanent share portfolio by approximately \$124M through various member initiatives.

Having regard to the foregoing the directors and management believe that the going concern basis continues to be appropriate in the preparation of the financial statements.

COK Sodality Co-operative Credit Union Limited
(A Society Registered Under the Co-operative Societies Act)

Notes to the financial statements (continued)
December 31, 2014

2. Basis of preparation (cont'd)

(d) Use of estimates and judgements (cont'd):

It is reasonably probable, based on existing knowledge, that outcomes in the next financial year that are different from these assumptions could require a material adjustment to the carrying amount reflected in the financial statements.

(e) New, revised and amended standards and interpretations that became effective during the year:

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, applicable to its operations, with a date of initial application of January 1, 2014. The nature and effects of the changes are as follows:

- (i) Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of interest in Other Entities* and IAS 27 *Consolidated and Separate Financial Statements* defines an investment entity and requires a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss, instead of consolidating those subsidiaries in its consolidated and separate financial statements. In addition, the amendments introduce new disclosure requirement related to investment entities in IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate financial Statements*. The adoption of this amendment did not result in any change to the presentation and disclosures in the financial statements.
- (ii) Amendments to IAS 36, *Recoverable Amount Disclosures for Non-Financial Assets*, reverses the unintended requirement in IFRS 13, *Fair Value Measurement*, to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. The amendment requires the recoverable amount to be disclosed only when an impairment loss has been recognised or reversed. The adoption of this amendment did not result in any change to the presentation and disclosures in the financial statements.
- (iii) Amendments to IAS 32, *Financial Instruments: Presentation*. This amendment clarifies those conditions needed to meet the criteria specified for offsetting financial assets and liabilities. It requires the entity to prove that there is a legally enforceable right to set off the recognised amounts. Conditions such as whether the set off is contingent on a future event and the nature and right of set-off and laws applicable to the relationships between the parties involved should be examined. Additionally, to meet the criteria, an entity should intend to either settle on a net basis or to realise the asset and settle the liability simultaneously. The adoption of this amendment did not result in any change to the presentation and disclosures in the financial statements.

COK Sodality Co-operative Credit Union Limited
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Notes to the financial statements (continued)
December 31, 2014

2. Basis of preparation (cont'd)

- (f) New standards, and interpretations of and amendments to existing standards that are not yet effective:

At the date of authorisation of the financial statements, certain new, revised and amended standards and interpretations, have been issued which are not yet effective, which the group has not early-adopted. The group has assessed the relevance of all such new standards, amendments and interpretations with respect to its operations and has determined that the following may be relevant to its operations:

- IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 also replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.
- IFRS 15, *Revenue from contracts with customers* replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services* and is effective for the accounting periods beginning on or after January 1, 2017.

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

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognised.

The five steps are as follows:

1. Identify the contract with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue when (or as) the entity satisfies a performance obligation

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Notes to the financial statements (continued)
December 31, 2014

2. Basis of preparation (cont'd)

(f) New standards, and interpretations of and amendments to existing standards that are not yet effective (cont'd):

- *Improvements to IFRS 2010-2012 and 2011-2013* cycles contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after July 1, 2014. The main amendments applicable to the group are as follows:
 - *IFRS 3 Business Combinations* is amended to clarify the classification and measurement of contingent consideration in a business combination. When contingent consideration is a financial instrument, its classification as a liability or equity is determined by reference to IAS 32 *Financial Instruments: Presentation*, rather than to any other IFRSs. Contingent consideration that is classified as an asset or a liability is always subsequently measured at fair value, with changes in fair value recognised in profit or loss. Consequential amendments are also made to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 9 *Financial Instruments* to prohibit contingent consideration from subsequently being measured at amortised cost. In addition, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* is amended to exclude provisions related to contingent consideration of an acquirer. IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11 *Joint Arrangements* i.e., including joint operations in the financial statements of the joint arrangements themselves.
 - *IFRS 13 Fair Value Measurement* is amended to clarify that issuing of the standard and consequential amendments to IAS 39 and IFRS 9 did not intend to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.
- *Improvements to IFRS 2010-2012 and 2011-2013* cycles contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after July 1, 2014. The main amendments applicable to the group are as follows (cont'd):
 - *IAS 24 Related Party Disclosures* has been amended to extend the definition of 'related party' to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. For related party transactions that arise when key management personnel services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the key management personnel services.

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Notes to the financial statements (continued)
December 31, 2014

2. Basis of preparation (cont'd)

(f) New standards, and interpretations of and amendments to existing standards that are not yet effective (cont'd):

- *Improvements to IFRS, 2012-2014 cycle*, contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2016. The main amendments applicable to the group are as follows:
 - IFRS 7, *Financial Instruments: Disclosures*, has been amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred assets in cases when they are derecognized in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset -e.g., if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'.
- IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* has been amended to clarify that if an entity changes the method of disposal of an asset or disposal group – i.e. reclassifies an asset or disposal group from held-for-distribution to owners to held-for-sale or vice versa without any time lag, then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset or disposal group and recognizes any write-down (impairment loss) or subsequent increase in the fair value less costs to sell/distribute of the asset or disposal group. If an entity determines that an asset or disposal group no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting.
- IAS 19, *Employee Benefits*, has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid. Consequently, the depth of the market for high-quality corporate bonds should be assessed at the currency level and not the country level.
- Amendments to IAS 19, *Defined Benefits Plans: Employee Contributions*, effective for annual periods beginning on or after July 1, 2014, clarified the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service.
- Amendments to IAS 16 and IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortisation*, are effective for accounting periods beginning on or after January 1, 2016.

COK Sodality Co-operative Credit Union Limited
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Notes to the financial statements (continued)
December 31, 2014

2. Basis of preparation (cont'd)

(g) New standards, and interpretations of and amendments to existing standards that are not yet effective (cont'd):

- *Improvements to IFRS 2012-2014* cycle contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after July 1, 2014. The main amendments applicable to the group are as follows (cont'd):
 - The amendment to IAS 16, *Property, Plant and Equipment* explicitly state that revenue-based methods of depreciation cannot be used. This is because such methods reflect factors other than the consumption of economic benefits embodied in the assets.
 - The amendment to IAS 38, *Intangible Assets* introduces a rebuttable presumption that the use of revenue-based amortization methods is inappropriate for intangible assets.
 - Amendments to IAS 27, *Equity Method in Separate Financial Statements*, effective for accounting periods beginning on or after January 1, 2016 and can be early adopted. The amendments allow the use of the equity method in separate financial statements, and apply to the accounting for subsidiaries, associates, and also joint ventures.
- IAS 1 *Presentation of Financial Statements*, effective for accounting periods beginning on or after January 1, 2016, has been amended to clarify or state the following:
 - specific single disclosures that are not material do not have to be presented even if they are minimum requirements of a standard
 - the order of notes to the financial statements is not prescribed.
 - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Lines items can be aggregated if they are not material.
 - specific criteria are provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI.
 - the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows the IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

The group is assessing the impact that the new, revised and amended standards may have on its financial statements in the years that they become effective.

COK Sodality Co-operative Credit Union Limited
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Notes to the financial statements (continued)
December 31, 2014

3. Significant accounting policies

(a) Basis of consolidation

(i) Subsidiary

A subsidiary is an entity controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its investment with the entity and has the ability to affect those returns through its power over the entity. The subsidiary is consolidated from the date on which control is transferred to the group.

The consolidated financial statements include the assets, liabilities and results of operations of the co-operative and its subsidiary presented as a single economic entity. Intra-group transactions, balances and unrealised gains or loss on transactions between group entities are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred.

(ii) Associates

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the group's share of the total recognised gains and losses of its associate on the equity basis, from the date that significant influence commences until the date that significant influence ceases. When the group's share of losses exceeds its interest in an associate, the group's carrying amount is reduced to zero and recognition of further losses is discontinued, except to the extent that the group has incurred legal or constructive obligations, or made payments on behalf of an associate.

The associate's financial year ends on May 31 and, therefore, audited results as at December 31, 2014, were not available for inclusion in the consolidated financial statement at December 31, 2014. The share of profits included in the consolidated financial statements is based on the unaudited results up to December 31, 2014 [see details in note 14(b)]. The interest in associate is carried at cost in the co-operative's separate financial statements.

(b) Property, plant and equipment

(i) Measurement:

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

COK Sodality Co-operative Credit Union Limited
 (A Society Registered Under the Co-operative Societies Act)

Notes to the financial statements (continued)
December 31, 2014

3. Significant accounting policies (cont'd)

(b) Property, plant and equipment (cont'd)

(ii) Subsequent costs:

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

(iii) Depreciation:

Depreciation is recognised in profit or loss on the straight-line basis at rates estimated to write-down the relevant assets, over their expected useful lives, to their residual values. Land is not depreciated. The rates used are as follows:

Buildings	2½% per annum
Motorbike	33⅓% per annum
Office machinery and equipment	10%, 20% per annum
Data processing equipment	20%, 33⅓% per annum
Furniture and fixtures	10%, 20% per annum
Building improvements	10% per annum

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(c) Investments

Securities acquired loans granted or other receivables that have a fixed or determinable payment and which are not quoted in an active market are classified as loans and receivables. An active market is one where quoted prices are readily and regularly available from an exchange dealer, broker or other agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. Debt investments that the group has the intent and ability to hold to maturity are classified as held-to-maturity. All other investments are classified as available-for-sale instruments.

Loans and receivables and held-to-maturity investments are initially measured at cost and subsequently at amortised cost, calculated on the effective interest method, less impairment losses. Premiums and discounts are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument. Available-for-sale investments are measured initially at cost and subsequently at fair value with changes in fair value recognised directly in other comprehensive income, except for impairment losses and in the case of debt securities, foreign exchange gains and losses. Where fair value cannot be reliably measured, they are stated at cost. Where the securities are disposed of, or impaired, the related accumulated unrealised gains or losses are recognised in profit or loss. Equity securities are considered impaired when there is a prolonged or significant decline in fair value below the cost of the securities.

COK Sodality Co-operative Credit Union Limited
(A Society Registered Under the Co-operative Societies Act)

Notes to the financial statements (continued)
December 31, 2014

3. Significant accounting policies (cont'd)

(c) Investments (cont'd)

Investments are recognised/derecognised on the day they are transferred to/from the co-operative.

Fair value is determined based on quoted market bid price. Where a quoted market price is not available, the fair value is estimated using discounted cash flows. The estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions.

(d) Resale agreements

A resale agreement ("reverse repo") is a short-term transaction whereby an entity buys securities and simultaneously agrees to resell them on a specified date and at a specified price. Resale agreements are accounted for as short-term collateralised lending and are measured at amortised cost.

The difference between the purchase and resale considerations is recognised on the accrual basis over the period of the transaction, using the effective interest method, and is included in interest income.

(e) Loans to members and allowance for loan losses

(i) Loans to members

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the co-operative does not intend to sell immediately or in the near term. Loans are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method, less allowance for loan loss.

(ii) Allowance for loan losses

An allowance for loan losses is established if there is objective evidence that a loan is impaired. A loan is considered impaired when management determines that it is probable that all amounts due according to the contractual terms will not be collected. Where a loan is identified as impaired, a specific provision is recorded against such loan to reduce it to its estimated recoverable amount. The recoverable amount is determined as the present value of the expected future cash flows discounted at the loan's original effective interest rate.

An allowance for loan losses is also made where there is objective evidence that a portfolio of similar loans is impaired. The expected cash flows for a portfolio of similar loans are estimated based on previous experience and the credit rating of the borrowers.

The guidelines stipulated by JCCUL, according to the PEARLS standard, require the allowance for loan losses to be stipulated percentages of total delinquent loans, the percentage varying with the period of delinquency, without considering security held against such loans.

The allowance for loan losses required by PEARLS that is in excess of the requirements of IFRS is treated as an appropriation of undistributed net income and included in a non-distributable loan loss reserve.

COK Sodalitiy Co-operative Credit Union Limited
(A Society Registered Under the Co-operative Societies Act)

Notes to the financial statements (continued)
December 31, 2014

3. Significant accounting policies (cont'd)

(f) Other assets

Other assets are stated at amortised cost, less impairment losses.

(g) Intangible asset

Intangible asset, which represents software development costs, is stated at cost, less accumulated amortisation and impairment losses, if any. Expenditure on internally developed software is recognised as an asset when the group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the cost. It is being amortised at 33 $\frac{1}{3}$ % per annum. Development costs incurred up to the date on which the software is available for use are included in deferred expenditure and, thereafter, transferred to intangible asset.

(h) Other payables and accruals

Other payables and accruals are stated at amortised cost.

(i) External credits

External credits are measured initially at cost and subsequently at amortised cost.

(j) Impairment

The carrying amounts of the group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale investment recognised previously in other comprehensive income is transferred to profit or loss.

(i) Calculation of recoverable amount

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

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

COK Sodality Co-operative Credit Union Limited
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Notes to the financial statements (continued)
December 31, 2014

3. Significant accounting policies (cont'd)

(j) Impairment (cont'd)

(ii) Reversals of impairment

In respect of loans and receivables and held-to-maturity investments and receivables, the impairment loss is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Reversals are recognised in profit or loss, except for available-for-sale equity securities, that are recognised in other comprehensive income.

(k) Interest

Interest income and expense are recognised in profit or loss on the accrual basis using the effective interest method, except that, when collection of interest income is considered doubtful, the cash basis is used.

(l) Fees and dividends

Fee income is recognised when the related service is provided.

Dividend income is recognised when the right to receive income is established. Usually this is when the dividend is declared.

(m) Foreign currencies

Transactions in foreign currencies are converted at the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rates ruling at reporting date. Foreign exchange differences arising on translation are recognised in the profit or loss.

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Notes to the financial statements (continued)
December 31, 2014

3. Significant accounting policies (cont'd)

(n) Employee benefits

Employee benefits are all forms of consideration given by the group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, annual vacation leave, and non-monetary benefits such as medical care; post-employment benefits such as pensions; and other long-term employee benefits such as termination benefits.

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave.

The employees of the co-operative participate in a defined-benefit multi-employer pension plan operated by JCCUL.

Employee benefits asset included in the financial statements have been actuarially determined by a qualified independent actuary, appointed by JCCUL. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations are conducted in accordance with IAS 19, and the financial statements reflect the co-operative's pension asset as computed by the actuary. In carrying out their audit, the auditors rely on the work of the actuary and the actuary's report.

The co-operative's net obligation in respect of the defined-benefit pension plan is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is determined by reference to the yield at the reporting date on long-term government bonds with dates approximating the terms of the related liability. The calculation is performed by a qualified independent actuary, using the projected unit credit method.

Remeasurements of the net defined benefit asset, which comprise actuarial gains and losses and the effect of the asset ceiling (if any), are recognised in other comprehensive income. The group determines the net interest expense/(income) on the net defined benefit asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit asset, taking into account any changes in the net defined benefit asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognised in profit or loss.

When the benefits of the plan are changed, or when a plan is curtailed, the resulting change in benefit relating to past service or the gain or loss on curtailment is recognised immediately in profit or loss.

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3. Significant accounting policies (cont'd)

(o) League fees and stabilisation dues

JCCUL has determined the rate of calculating league fees at 0.2% (2013: 0.2%) of total assets. These fees are capped at 10% of the total fees due from the Co-operative Movement, calculated by JCCUL. Stabilisation dues are computed at a rate of 0.15% (2013: 0.35%) of savings funds.

(p) Assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(q) Financial instruments:

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of these financial statements, financial assets have been determined to include loans to members, financial investments, liquid assets and other assets. Similarly, financial liabilities include savings deposits, external credits, voluntary shares, deferred shares, and accounts payable.

4. Loans to members

	<u>Group and Co-operative</u>	
	<u>2014</u>	<u>2013</u>
	\$'000	\$'000
Balance at beginning of the year	4,600,561	4,125,625
Loans granted	<u>2,618,999</u>	<u>2,662,383</u>
	7,219,560	6,788,008
Less repayments and transfers	<u>(2,074,562)</u>	<u>(2,187,447)</u>
Balance at end of the year	<u>5,144,998</u>	<u>4,600,561</u>

(a) Delinquent loans:

<u>Period overdue</u>	<u>2014</u>			
	<u>Number in arrears</u>	<u>Loans in arrears \$'000</u>	<u>Provision (%)</u>	<u>PEARLS Loan loss provision required \$'000</u>
1 – 2 months	1,262	202,951	0%	-
2 – 3 months	134	71,669	10%	7,167
3 – 6 months	285	56,934	30%	17,080
6 – 12 months	394	99,278	60%	59,567
Over 12 months	<u>184</u>	<u>49,133</u>	100%	<u>49,133</u>
	<u>2,259</u>	<u>479,965</u>		<u>132,947</u>

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4. Loans to members (cont'd)

(a) Delinquent loans (cont'd):

<u>Period overdue</u>	<u>2013</u>			
	<u>Number in arrears</u>	<u>Loans in arrears \$`000</u>	<u>Provision (%)</u>	<u>PEARLS Loan loss provision required \$`000</u>
1 – 2 months	3500	298,151	-	-
2 – 3 months	956	27,389	10	2,739
3 – 6 months	665	45,811	30	13,743
6 – 12 months	824	63,909	60	38,345
Over 12 months	<u>198</u>	<u>53,661</u>	100	<u>53,661</u>
	<u>6,143</u>	<u>488,921</u>		<u>108,488</u>

Delinquent loans and advances on which interest is no longer accrued amounted to \$323,682,000 (2013: \$191,180,000) as at year-end.

Loans in arrears include delinquent credit card advances of \$7,439,584 (2013: \$7,106,000) in respect of which an allowance of \$5,070,000 (2013: \$5,198,000) has been made.

(b) Loans and credit card advances, net of allowance for loan losses, are due from the reporting date as follows:

	<u>Group and Co-operative</u>	
	<u>2014</u>	<u>2013</u>
	\$`000	\$`000
Within 3 months	70,542	76,161
From 3 months to 1 year	247,199	232,888
From 1 year to 10 years	<u>4,738,548</u>	<u>4,206,251</u>
	<u>5,056,289</u>	<u>4,515,300</u>

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4. Loans to members (cont'd)

- (c) The maximum exposure to credit risk for loans to members as at year-end by type of loan was:

	<u>Group and Co-operative</u>	
	<u>2014</u>	<u>2013</u>
	\$`000	\$`000
Home equity	1,004,263	1,014,081
Mortgages	910,934	831,066
Motor vehicle	1,176,521	1,027,672
Loan within shares	377,807	408,129
Loan within deposits	397,812	416,412
Unsecured	543,939	364,535
Others	<u>645,013</u>	<u>453,405</u>
	<u>5,056,289</u>	<u>4,515,300</u>

- (d) The credit quality of loans is summarised as follows:

	<u>Group and Co-operative</u>	
	<u>2014</u>	<u>2013</u>
	\$`000	\$`000
Neither past due nor impaired	4,620,765	4,122,699
Past due but not impaired:		
2 to 3 months	189,855	246,614
3 to 6 months	97,669	18,545
6 to 12 months	73,325	29,264
Over 12 months	43,156	23,116
Individually impaired	140,984	185,795
Less allowance for loan losses	<u>(109,465)</u>	<u>(110,733)</u>
	<u>5,056,289</u>	<u>4,515,300</u>

An estimate of the fair value of the collateral held against loans is as follows:

	<u>Group and Co-operative</u>	
	<u>2014</u>	<u>2013</u>
	\$`000	\$`000
Neither past due or impaired	3,822,947	4,412,339
Past due but not impaired	1,081,620	695,166
Individually impaired	<u>39,854</u>	<u>105,346</u>
	<u>4,944,421</u>	<u>5,212,851</u>

- (e) The value of renegotiated loans as at year end was \$4,643,800 (2013: \$33,356,000).

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5. Allowance for loan losses

The movement in the allowance for impairment determined under the requirements of IFRS is as follows:

	Group and Co-operative	
	<u>2014</u>	<u>2013</u>
	\$`000	\$`000
Balance at beginning of the year	110,733	120,114
Loans charged off	(50,281)	(50,048)
Increase in provision for the year	<u>49,013</u>	<u>40,667</u>
Balance at end of the year	<u>109,465</u>	<u>110,733</u>

The allowance for impairment determined under JCCUL regulatory requirement is as follows:

	<u>2014</u>	<u>2013</u>
IFRS provision as above	109,465	110,733
Loan loss reserve [note 23(b)]	<u>23,482</u>	<u>-</u>
	<u>132,947</u>	<u>110,733</u>

The allowance for impairment under the JCCUL regulatory requirement is in excess of the provision required under IFRS provisioning rules. The excess of the regulatory provision over the IFRS provision is recognized as a transfer between non-institutional capital and loan loss reserve.

6. Earning liquid assets

	Group		Co-operative	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	\$`000	\$`000	\$`000	\$`000
Loans and receivables:				
Securities purchased under resale agreements	38,073	185,426	37,364	184,748
Other investments	56,950	95,500	56,950	95,500
Short-term deposits	653,054	546,061	653,054	546,061
Corporate bond	100,000	-	100,000	-
Available-for-sale investments:				
Units held in unit trust	<u>-</u>	<u>49,857</u>	<u>-</u>	<u>49,857</u>
	<u>848,077</u>	<u>876,844</u>	<u>847,368</u>	<u>876,166</u>

(i) The fair value of securities held as collateral for resale agreements amounted to \$38,242,000 (2013: \$138,831,000) for the group and \$37,523,000 (2013: \$137,913,000) for the co-operative.

(ii) Short-term deposits include deposits for the group and co-operative of \$40,344,000 (2013: \$41,253,000) made by corporate entities which are held as security for their employees' borrowings [note 18(ii)].

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Notes to the financial statements (continued)
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7. Financial investments

	<u>Group and Co-operative</u>	
	<u>2014</u>	<u>2013</u>
	\$`000	\$`000
Loans and receivables:		
Government of Jamaica securities (> twelve months)	828,052	828,052
Corporate bonds	<u>53,000</u>	<u>93,000</u>
	<u>881,052</u>	<u>921,052</u>
Available-for-sale:		
US\$ Corporate bonds [US\$Nil (2013: US\$300,000)]	-	32,618
Quoted shares	2,049	2,112
Unquoted shares (carried at cost)	<u>21,203</u>	<u>21,202</u>
	<u>23,251</u>	<u>55,932</u>
	<u>904,304</u>	<u>976,984</u>

8. Non-earning liquid assets

	<u>Group</u>		<u>Co-operative</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	\$`000	\$`000	\$`000	\$`000
Cash and cash equivalents:				
Cash floats	54,870	56,887	54,870	56,887
Bank accounts	<u>64,846</u>	<u>56,023</u>	<u>62,022</u>	<u>55,227</u>
	<u>119,716</u>	<u>112,910</u>	<u>116,892</u>	<u>112,114</u>

9. Other assets

	<u>Group</u>		<u>Co-operative</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	\$`000	\$`000	\$`000	\$`000
Interest receivable - members' loans	157,673	179,760	157,673	179,760
- investments	27,434	20,119	27,413	20,100
Inputed interest – staff loans	23,805	20,829	23,805	18,645
Deferred expenditure [see (i) below]	4,717	1,099	4,717	3,283
Other receivables [see (ii) and (iii) below]	124,687	117,055	139,556	130,932
Withholding tax recoverable	12,277	18,742	12,187	18,742
Prepayments	16,162	10,766	15,297	10,766
Dishonoured cheques	112	411	112	411
Remittance receivable	<u>10,712</u>	<u>9,940</u>	<u>6,773</u>	<u>4,018</u>
	377,579	378,721	387,533	386,657
Less provision for losses [see (iv) below]	<u>(172,803)</u>	<u>(115,754)</u>	<u>(172,803)</u>	<u>(115,754)</u>
	<u>204,776</u>	<u>262,967</u>	<u>214,730</u>	<u>270,903</u>

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9. Other assets (cont'd)

- (i) Deferred expenditure includes deposits on capital assets [note 32(b)] totalling \$3,753,000 (2013: \$358,000).
- (ii) Other receivables include \$58,782,000 (2013: \$58,202,000) receivable from a cambio trading partner for defaults on amounts due for which a full provision was made during the year. Efforts to recover the outstanding amounts are diligently being pursued.
- (iii) Other receivables also include advances to fund the establishment of a membership benefit programme which offers access to emergency air ambulance service. The advances were to be repaid over a twelve-month period commencing in July 2011 and were subject to interest at the rate currently offered by the co-operative on unsecured facilities. Full provision has been made for the interest accrued during the period. The co-operative and its partners in this programme are committed to make up any funding deficiencies that may be experienced by the programme. Arrangements have been made to recover the outstanding amounts, notwithstanding a partial provision was made in the 2014 financial year.
- (iv) Other assets are shown net of provision for losses as follows:

	<u>Group and Co-operative</u>	
	<u>2014</u>	<u>2013</u>
	\$'000	\$'000
Balance at the beginning of the year	115,754	117,960
Provision made/(recovered) during the year:		
Interest receivable	6,846	(1,065)
Other receivables	69,258	11,761
Amounts written off	(19,055)	(12,902)
Balance at end of the year	<u>172,803</u>	<u>115,754</u>

10. Employee benefits

The co-operative participates in a defined-benefit pension plan operated by the Jamaica Co-operative Credit Union League Limited. The plan is jointly funded by contributions from employees of 5% (10% optional), and by the co-operative of 8% of the employee's taxable remuneration, taking into account the recommendations of independent qualified actuaries.

- (a) Employee benefits asset:

	<u>Group and Co-operative</u>	
	<u>2014</u>	<u>2013</u>
	\$'000	\$'000
Present value of funded obligations	(225,376)	(211,320)
Fair value of pension plan assets	<u>346,310</u>	<u>309,126</u>
Asset recognised in statement of financial position	<u>120,934</u>	<u>97,806</u>

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Notes to the financial statements (continued)
December 31, 2014

10. Employee benefits (cont'd)

(b) Movement in the amounts recognised in the statement of financial position:

	<u>Group and Co-operative</u>	
	<u>2014</u>	<u>2013</u>
	\$`000	\$`000
Balance at beginning of the year	97,806	109,674
Contributions paid	11,866	11,623
Pension income/(expense) recognised in profit or loss	2,033	(7,122)
Re-measurement gain/(loss) recognised in other comprehensive income	<u>9,229</u>	<u>(16,369)</u>
Balance at end of the year	<u>120,934</u>	<u>97,806</u>

(c) Movement in the present value of funded obligations are as follows:

	<u>Group and Co-operative</u>	
	<u>2014</u>	<u>2013</u>
	\$`000	\$`000
Balance at beginning of the year	(211,320)	(216,368)
Benefits paid	8,844	10,920
Service costs	(6,423)	(7,836)
Employees' contributions	(10,130)	(9,814)
Interest costs	(20,137)	(22,149)
Settlement paid	-	9,741
Effect of curtailment	-	12,447
Actuarial gain/(loss) arising from:		
- experience adjustments	1,689	12,098
- changes in demographic assumptions	12,101	-
- change in financial assumptions	<u>-</u>	<u>(359)</u>
Balance at end of the year	<u>(225,376)</u>	<u>(211,320)</u>

(d) Movements in plan assets:

	<u>Group and Co-operative</u>	
	<u>2014</u>	<u>2013</u>
	\$`000	\$`000
Fair value of plan assets at beginning of the year	309,126	326,042
Employees' contributions	10,130	9,814
Employer's contributions	11,866	11,623
Interest income	29,992	34,275
Benefits paid	(8,844)	(10,920)
Administrative expenses	(1,399)	(1,448)
Settlement paid	-	(9,741)
Effect of curtailment	-	(22,410)
Actuarial loss on plan assets	<u>(4,561)</u>	<u>(28,109)</u>
Fair value of plan assets at end of the year	<u>346,310</u>	<u>309,126</u>

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10. Employee benefits (cont'd)

(d) Movements in plan assets (cont'd):

	<u>Group and Co-operative</u>	
	<u>2014</u>	<u>2013</u>
	\$`000	\$`000
Plan assets consist of the following:		
Equities	7,749	7,049
Fixed income securities	288,136	247,458
Real estate	42,791	48,450
Other	<u>7,634</u>	<u>6,169</u>
	<u>346,310</u>	<u>309,126</u>

(e) (Income)/expense recognised in profit or loss:

	<u>Group and Co-operative</u>	
	<u>2014</u>	<u>2013</u>
	\$`000	\$`000
Current service costs	6,423	7,836
Interest on obligation	20,137	22,149
Interest income on plan assets	(29,992)	(34,275)
Administrative expenses	1,399	1,448
Effect of settlement/curtailment	<u>-</u>	<u>9,964</u>
	<u>(2,033)</u>	<u>7,122</u>

(f) Actuarial gain/(loss) recognised in other comprehensive income:

	<u>Group and Co-operative</u>	
	<u>2014</u>	<u>2013</u>
	\$`000	\$`000
Re-measurement gain on obligation	13,790	11,740
Re-measurement loss on plan assets	<u>(4,561)</u>	<u>(28,109)</u>
	<u>9,229</u>	<u>(16,369)</u>

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10. Employee benefits (cont'd)

- (g) Principal actuarial assumptions (expressed as weighted averages):

	<u>Group and Co-operative</u>	
	<u>2014</u>	<u>2013</u>
	%	%
Discount rate	9.5	9.50
Future salary increases	6.5	6.50
Price inflation	5.5	5.50
Pension increases	<u>2.75</u>	<u>2.75</u>

At December 31, 2014, the weighted average duration of the defined benefit obligation was 18.4 years (2013: 20.1 years).

- (h) Sensitivity analysis on projected benefit obligation:

The calculation of the projected benefit obligation is sensitive to the assumptions used. The table below summarizes how the projected benefit obligation measured at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions by one percentage point. In preparing the analyses for each assumption, all others were held constant.

	<u>Group and Co-operative</u>			
	<u>2014</u>		<u>2013</u>	
	\$'000	\$'000	\$'000	\$'000
	1%	1%	1%	1%
	increase	decrease	increase	decrease
Discount rate	(34,657)	47,405	(35,214)	48,119
Future salary increase	24,005	(19,520)	27,016	(21,719)
Future pension increases	<u>19,008</u>	<u>(15,973)</u>	<u>16,745</u>	<u>(14,558)</u>

- (i) As mortality continues to improve, estimates of life expectancy are expected to increase. An increase of one year in life expectancy will increase the employee benefit obligation by approximately \$4,400,000, while a decrease of one year in life expectancy will result in an equal but opposite effect.
- (j) The estimated pension contributions expected to be paid into the plan during the next financial year is \$11,870,000 (2013: \$10,890,000).

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11. Property, plant and equipment

Group and Co-operative

	<u>Land and buildings</u> \$'000	<u>Motorbike</u> \$'000	<u>Office machinery, equipment, furniture and fixtures</u> \$'000	<u>Data processing equipment</u> \$'000	<u>Total</u> \$'000
Cost:					
December 31, 2012	218,866	355	192,427	81,886	493,534
Additions	349	-	7,420	7,122	14,891
Disposals	<u>-</u>	<u>(355)</u>	<u>-</u>	<u>-</u>	<u>(355)</u>
December 31, 2013	219,215	-	199,847	89,008	508,070
Additions	3,932	-	12,446	10,466	26,844
Disposals	<u>-</u>	<u>-</u>	<u>(199)</u>	<u>(2,178)</u>	<u>(2,377)</u>
December 31, 2014	<u>223,147</u>	<u>-</u>	<u>212,094</u>	<u>97,296</u>	<u>532,537</u>
Depreciation:					
December 31, 2012	55,761	355	106,667	74,479	237,262
Charge for the year	10,064	-	23,708	6,348	40,120
Disposals	<u>-</u>	<u>(355)</u>	<u>-</u>	<u>-</u>	<u>(355)</u>
December 31, 2013	65,825	-	130,375	80,827	277,027
Charge for the year	10,292	-	26,325	5,759	42,376
Eliminated on disposals	<u>-</u>	<u>-</u>	<u>(56)</u>	<u>(2,178)</u>	<u>(2,234)</u>
December 31, 2014	<u>76,117</u>	<u>-</u>	<u>156,644</u>	<u>84,408</u>	<u>317,169</u>
Net book values:					
December 31, 2014	<u>147,030</u>	<u>-</u>	<u>55,450</u>	<u>12,888</u>	<u>215,368</u>
December 31, 2013	<u>153,390</u>	<u>-</u>	<u>69,472</u>	<u>8,181</u>	<u>231,043</u>
December 31, 2012	<u>163,105</u>	<u>-</u>	<u>85,760</u>	<u>7,407</u>	<u>256,272</u>

Land and buildings include land at a cost of \$11,569,000 (2013: \$11,569,000).

12. Assets and liabilities held-for-sale

	<u>Group and Co-operative</u>	
	<u>2014</u>	<u>2013</u>
	\$'000	\$'000
Assets transferred in settlement of amount outstanding		
Assets held for sale - Foreclosure	2,775	2,775
Less allowance for impairment losses	<u>(2,775)</u>	<u>(2,775)</u>
	<u>-</u>	<u>-</u>

- (i) The co-operative acquired real properties through foreclosure on collateral held as securities against loans and advances. The co-operative's policy is, in accordance with regulatory requirements, to pursue realisation of the collateral in a timely manner.

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13. Intangible asset

Software

	Group and Co-operative		
	<u>Cost</u>	<u>Depreciation</u>	<u>Net book value</u>
	\$'000	\$'000	\$'000
Balance at December 31, 2012	125,851	111,845	14,006
Additions/charge for the year	<u>16,988</u>	<u>9,987</u>	<u>7,001</u>
Balance at December 31, 2013	142,839	121,832	21,007
Additions/charge for the year	<u>16,500</u>	<u>12,126</u>	<u>4,374</u>
Balance at December 31, 2014	<u>159,339</u>	<u>133,958</u>	<u>25,381</u>

14. Subsidiary and associate

(a) This represents the co-operative's investment in 100% of the issued shares of the subsidiary, COK Remittance Services Limited, comprising three ordinary shares, costing \$1,000,000 (2013: \$1,000,000). The wholly-owned subsidiary became operational on January 1, 2009.

(b) Investment in associate:

	<u>Group</u>		<u>Co-operative</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	\$'000	\$'000	\$'000	\$'000
Shares in Money Masters Ltd (MML)	22,455	24,843	21,726	21,726
Reduction in interest of associate	(2,707)	(2,065)	-	-
Share of reserves	(5,647)	(323)	-	-
	<u>14,101</u>	<u>22,455</u>	<u>21,726</u>	<u>21,726</u>
			<u>Group</u>	
			<u>2014</u>	<u>2013</u>
			\$'000	\$'000
Non-current assets			9,257	7,923
Current assets			1,073,138	1,584,076
Non-current liabilities			(1,007,710)	(1,473,816)
Preference shares			(13,000)	-
Net assets attributable to equity holders			<u>61,686</u>	<u>118,183</u>
Group share of net assets 22.86% (2013: 19%)			<u>14,101</u>	<u>22,455</u>
Net loss from continuing operations			(24,702)	(1,700)
Group's share of loss from continuing operations			(5,647)	(323)

During the year, the associate issued additional ordinary shares, however, the group did not take up its portion of those shares and so the ownership in the associate was reduced.

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15. Savings deposits

	<u>Group and Co-operative</u>	
	<u>2014</u>	<u>2013</u>
	\$`000	\$`000
Balance at beginning of the year	4,062,005	4,045,737
Add new deposits	<u>3,730,493</u>	<u>3,312,095</u>
	7,792,498	7,357,832
Less withdrawals and transfers	<u>(3,484,764)</u>	<u>(3,295,827)</u>
Balance at end of the year	<u>4,307,734</u>	<u>4,062,005</u>

16. Voluntary shares

	<u>Group and Co-operative</u>	
	<u>2014</u>	<u>2013</u>
	\$`000	\$`000
Balance at beginning of year	2,185,326	2,167,227
Add amount subscribed	<u>2,465,131</u>	<u>2,561,847</u>
	4,650,457	4,729,074
Less withdrawals and transfers	<u>(2,459,581)</u>	<u>(2,543,748)</u>
Balance at end of year	<u>2,190,876</u>	<u>2,185,326</u>

Voluntary shares have no par value and are not a part of risk capital. The following rights and restrictions are attached to voluntary shares:

- (i) Money paid into voluntary shares may be withdrawn in whole or in part on any day when the co-operative is open for business, but the Board of Directors shall reserve the right at any time to require a member to give notice not exceeding three (3) months; provided however that no member may withdraw any shareholding below the amount of his liability to the co-operative as a borrower or co-maker.
- (ii) Voluntary shares shall be treated as liabilities of the co-operative.
- (iii) Subject to the profitability of the co-operative, the Board of Directors may recommend the declaration and payment of dividends on voluntary shares in amounts and at times as it may determine.
- (iv) The co-operative shall have a lien on all voluntary shares and deposits of a member for, and to the extent of, any sum due to the co-operative from the said member or any loan endorsed by the member.
- (v) Voluntary share accounts are required for members to qualify to utilize the products and services of the co-operative as determined by the Board of Directors from time to time.

17. Deferred shares

During 2011, these shares were issued to increase the co-operative's capital. They are not withdrawable before May 2016 and bear interest of 7.85% per annum in the first year and, thereafter, at 150 basis points above the prevailing six-months treasury bill yield. The deferred shares are included in the capital base of the co-operative [see 36(e)].

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18. External credits

	<u>Group and Co-operative</u>	
	<u>2014</u>	<u>2013</u>
	\$'000	\$'000
National Insurance Fund/Small Mediums Enterprise (i)	3,676	5,893
Fixed deposits held for corporates (ii)	53,129	41,253
Development Bank of Jamaica (iii)	38,122	-
Credit Union Fund Management Company Limited (iv)	<u>50,000</u>	<u>-</u>
	<u>144,927</u>	<u>47,146</u>

(i) These loans bear interest at 4% per annum, are repayable quarterly, and are secured by a promissory note. The loans were disbursed in two separate tranches, which will mature in March 2015 and September 2016, respectively.

(ii) This represents deposits made by corporate entities which are held as security for their members' borrowings [note 6(ii)]. The deposits bear interest at an average rate of 3.05% per annum and have no specific repayment terms.

(iii) These loans bear interest of 10% per annum, are repayable quarterly, and are secured by promissory notes.

(iv) This loan bear interest of 10.5% per annum and is repayable in three separate tranches ending March 25, 2015. The loan is secured by hypothecation of Government of Jamaica security.

As at year-end, the amounts are due, as follows:

	<u>Group and Co-operative</u>	
	<u>2014</u>	<u>2013</u>
	\$'000	\$'000
Amounts due within one year	143,427	43,785
Amounts due after one year	<u>1,500</u>	<u>3,361</u>
	<u>144,927</u>	<u>47,146</u>

19. Payables and accruals

	<u>Group</u>		<u>Co-operative</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	\$'000	\$'000	\$'000	\$'000
(a) Payables:				
Other payables	36,260	36,715	32,035	34,631
Standing order payments	90,880	75,309	90,880	75,309
Advance loans and interest	<u>25,548</u>	<u>23,670</u>	<u>25,548</u>	<u>23,670</u>
	<u>152,688</u>	<u>135,694</u>	<u>148,463</u>	<u>133,610</u>
(b) Accruals:				
Interest payable	19,096	14,760	19,096	14,760
Withholding tax payable	2,694	2,760	2,694	2,760
Other accruals	<u>31,581</u>	<u>23,890</u>	<u>31,090</u>	<u>23,470</u>
	<u>53,371</u>	<u>41,410</u>	<u>52,880</u>	<u>40,990</u>
	<u>206,059</u>	<u>177,104</u>	<u>201,343</u>	<u>174,600</u>

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20. Other liabilities

	Group and Co-operative	
	<u>2014</u>	<u>2013</u>
	\$`000	\$`000
Social outreach	2	2
Unallocated receipts	25,068	6,152
Stale-dated cheques	<u>2,967</u>	<u>1,859</u>
	<u>28,037</u>	<u>8,013</u>

21. Permanent shares

The account category of ‘permanent shares’ was established on July 1, 2009 and each member is required to subscribe at least \$2,000 to a permanent share account. ‘Permanent shares’ represents cash invested as risk capital, which forms a permanent part of the capital of the co-operative. As at December 31, 2014, 146,020 (2013: 150,878) members had not yet met this requirement.

22. Non-institutional and institutional capital

(a) Non-institutional capital

	Group		Co-operative	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	\$`000	\$`000	\$`000	\$`000
Permanent share capital reserve (i)	3,495	3,495	3,495	3,495
Prior undivided earnings (ii)	(180,000)	(180,000)	(180,000)	(180,000)
Minority interest –MML	(8,354)	729	-	-
Net deficit	<u>(505,765)</u>	<u>(433,310)</u>	<u>(494,357)</u>	<u>(423,344)</u>
	<u>(690,624)</u>	<u>(609,086)</u>	<u>(670,862)</u>	<u>(599,849)</u>

(i) Permanent share capital reserve

Permanent share capital reserves were created in 1999 – 2000 as an appropriation from the undistributed surplus, approved at an Annual General Meeting. Subsequently, \$115.3M of these reserves was utilised as part-payment of \$1,600 each towards Permanent Shares (note 21) in respect of 72,086 members on record as at December 31, 2001. The balance of Permanent Share Capital Reserves remaining is being held for transfer to “Permanent Shares” upon refund of members’ Permanent Shares accounts, if, and when, they cease to be members, thereby, maintaining the permanent capital of the co-operative. A net amount of \$Nil was transferred during the year ended December 31, 2014.

(ii) The co-operative has for some time been experiencing challenges with the adequacy of its capital base. The position continued to deteriorate as a result of losses occasioned by extensive provisions for delinquent loans from members and other receivables. The non-institutional capital of the co-operative has been guaranteed up to a maximum of One Hundred and Eighty Million Dollars (J\$180,000,000) by the Jamaica Co-operative Credit Union League Limited, through the Jamaica Stabilization Savings Guarantee Fund. The letter of understanding and agreement, dated April 1, 2011, detailing the terms and conditions of the support, required the transfer of \$180,000,000 from the accumulated deficit account to the prior undivided earnings account.

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22. Non-institutional and institutional capital (cont'd)

(b) Institutional capital

	<u>Group and Co-operative</u>	
	<u>2014</u>	<u>2013</u>
	\$'000	\$'000
Statutory and legal reserves (i)	194,895	194,451
General reserves (ii)	<u>268,015</u>	<u>268,015</u>
	<u>462,910</u>	<u>462,466</u>

Institutional capital forms a part of the permanent capital of the co-operative and is not available for distribution.

(i) Statutory and legal reserves:

The statutory and legal reserves are maintained in accordance with the provisions of the Co-operative Societies Act which require that a minimum of 20% of net surplus 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%. The transfer is calculated on net surplus, net of change in the loan loss reserve.

(ii) General reserves:

General reserves represent appropriations from undistributed net income for the purpose of strengthening the capital base of the co-operative. The amount transferred is determined at the Annual General Meeting.

23. Other reserves

(a) Investment revaluation reserve:

This represents the unrealised gains and losses arising on changes in fair value of available-for-sale investments.

(b) Loan loss reserve:

This is a non-distributable loan loss reserve which represents the excess of PEARLS loan loss provision over IAS 39 requirements.

24. Pension reserve

The pension reserve represents the pension surplus arising on the actuarial valuation, under IAS 19, of the pension plan in which the co-operative participates. Annual changes in the value of the plan are shown in profit or loss, then transferred to this reserve.

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25. Other financial costs

	<u>Group</u>		<u>Co-operative</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	\$'000	\$'000	\$'000	\$'000
Expenses – debit/credit card	5,929	3,072	5,929	3,072
Expenses – remittance service	98	884	98	69
Remittance sub agent commission	47	94	-	-
Interest on overdraft	3	4	3	4
Bank charges	5,773	5,240	5,634	5,058
Financing charges	125		125	
Cambio licence fees	1,066	1,017	1,066	1,017
Remittance licence fees	823	-	-	-
Financial Services Commission licensing fee	780	674	780	674
Collections expenses	576	565	576	565
Loan broker expenses	712	656	712	656
Legal and documentation expenses	<u>13,259</u>	<u>14,584</u>	<u>13,259</u>	<u>14,584</u>
	<u>29,191</u>	<u>26,790</u>	<u>28,182</u>	<u>25,699</u>

26. Other income

	<u>Group</u>		<u>Co-operative</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	\$'000	\$'000	\$'000	\$'000
Remittance service	9,815	5,578	9,190	5,578
Visa credit card operation	13,043	12,220	13,043	12,220
Foreign currency gain	4,368	18,435	5,610	18,364
Profit on cambio trading	8,408	11,972	8,408	11,972
Default interest	12,520	13,214	12,520	13,214
Documentation fees	11,651	14,737	11,651	14,737
Bad debt recoveries	33,175	44,898	33,175	44,898
Miscellaneous income	<u>10,534</u>	<u>2,385</u>	<u>10,624</u>	<u>2,475</u>
	<u>103,514</u>	<u>123,439</u>	<u>104,221</u>	<u>123,458</u>

27. Operating expenses

	<u>Group</u>		<u>Co-operative</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	\$'000	\$'000	\$'000	\$'000
Personnel expenses:				
Salaries and wages	388,907	357,324	386,587	355,679
Employer's statutory contributions	35,570	32,721	35,570	32,721
Education and training	5,706	3,716	5,706	3,716
Unused vacation leave	2,040	(102)	2,040	(102)
Pension expense	(1,986)	7,137	(1,986)	7,137
Redundancies	-	<u>23,706</u>	-	<u>23,706</u>
	<u>430,237</u>	<u>424,502</u>	<u>427,917</u>	<u>422,857</u>
Members' expenses:				
CUNA lifesavings and loan protection	22,301	20,954	22,301	20,954
Bond insurance	<u>1,835</u>	<u>1,789</u>	<u>1,835</u>	<u>1,789</u>
	<u>24,136</u>	<u>22,743</u>	<u>24,136</u>	<u>22,743</u>
Carried forward	<u>454,373</u>	<u>447,245</u>	<u>452,053</u>	<u>445,600</u>

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27. Operating expenses (cont'd)

	<u>Group</u>		<u>Co-operative</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	\$'000	\$'000	\$'000	\$'000
Brought forward	<u>454,373</u>	<u>447,245</u>	<u>452,053</u>	<u>445,600</u>
Administrative expenses:				
Printing, stationery and supplies	9,874	8,541	9,867	8,541
Repairs and maintenance	10,221	8,195	10,221	8,195
Depreciation and amortisation	54,553	50,107	54,553	50,107
Rental of premises (office & car park)	14,866	14,095	14,866	14,095
Travelling and subsistence	10,210	8,322	10,210	8,322
Meetings and functions	1,939	1,729	1,939	1,729
Subscriptions and other administrative expenses	15,312	12,447	14,948	12,193
Administrative expenses-COK Pension Plan	7,605	8,157	7,605	8,157
Electricity and water	34,435	32,529	34,435	32,529
Telephone and SMS text messaging	7,440	7,079	7,369	6,995
Auditors' remuneration - current year	5,440	4,862	5,020	4,442
- prior year	100	683	95	680
Computer related	33,509	28,300	33,358	28,300
Annual general meeting	2,684	2,691	2,684	2,691
Professional and consulting fees	7,060	7,201	7,060	7,201
Security expenses	31,571	27,467	31,571	27,467
ATM interchange and switch fees	13,669	13,704	13,669	13,704
Insurance premiums – property	3,417	5,244	3,417	5,244
GCT irrecoverable	<u>29,356</u>	<u>26,486</u>	<u>29,356</u>	<u>26,360</u>
	<u>293,261</u>	<u>267,839</u>	<u>292,243</u>	<u>266,952</u>
Marketing and promotion expenses:				
Publicity and promotion	44,973	42,876	44,940	42,876
Representation and affiliation expenses:				
League and other dues	23,518	35,437	23,518	35,437
League meetings	<u>536</u>	<u>468</u>	<u>536</u>	<u>468</u>
TOTAL OPERATING EXPENSES	<u>816,661</u>	<u>793,865</u>	<u>813,290</u>	<u>791,333</u>

28. Staff and volunteers' loans and deposit balances

These represent loans granted and deposits held by members of staff, key management personnel and volunteers.

	<u>Number</u>	<u>Loans</u>	<u>Shares and deposits</u>
		\$'000	\$'000
Staff (including temporary and contract workers)	236	228,326	50,813
Key management personnel	16	67,728	48,020
Volunteers (Credit and Supervisory)	<u>18</u>	<u>21,491</u>	<u>4,753</u>

No special conditions were attached to these loans and the terms of repayment have been complied with.

Key management personnel includes all 12 Board members including 1 Honorary Director, Mr. Albert Morris, for 2014 and 2013.

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29. Related parties, 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” in this case, the co-operative).

- a) A person or a close member of that person’s family is related to the co-operative if that person:
 - i) has control or joint control over the co-operative;
 - ii) has significant influence over the co-operative; or
 - iii) is a member of the key management personnel of the co-operative or of a parent of the co-operative.
- b) An entity is related to the co-operative if any of the following conditions applies:
 - i) The entity and the co-operative 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 established for the benefit of employees of either the co-operative or an entity related to the co-operative.
 - 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).

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

The co-operative has a related party relationship with its subsidiary, directors, associated company and other key management personnel and the pension plan.

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29. Related parties, balances and transactions (cont'd)

- (a) In addition to those shown thereon, the statement of financial position includes balances arising in the ordinary course of business with its subsidiary and associate as follows:

	<u>Group</u>		<u>Co-operative</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	\$`000	\$`000	\$`000	\$`000
Subsidiary: Other receivables	<u>-</u>	<u>-</u>	<u>14,557</u>	<u>15,078</u>
Associate: Resale agreements	<u>2,239</u>	<u>2,042</u>	<u>2,239</u>	<u>2,042</u>

Balances with key management personnel are shown at note 28. The statement of comprehensive income includes the following income earned from and expenses incurred in, transactions with related parties in the ordinary course of business.

- (b) The statement of profit or loss and other comprehensive income includes the following income earned from, and expenses incurred in, transactions with related parties in the ordinary course of business:

	<u>Group</u>		<u>Co-operative</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	\$`000	\$`000	\$`000	\$`000
Subsidiary:				
Other income	-	-	(2,432)	(1,759)
Associate:				
Income earned from resale agreements	(197)	(520)	(197)	(520)
Management fees expense	<u>3,271</u>	<u>3,223</u>	<u>3,271</u>	<u>3,223</u>

- (c) Key management personnel compensation is as follows:

	<u>Group and Co-operative</u>	
	<u>2014</u>	<u>2013</u>
	\$`000	\$`000
Directors' honorarium	-	-
Short-term employee benefits included in personnel expenses (note 27)	<u>20,880</u>	<u>19,733</u>
	<u>20,880</u>	<u>19,733</u>

30. Life savings and loan protection insurance

Life savings and loan protection insurances were in force during the year.

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31. Comparison of ledger balances

Group and co-operative

	<u>Savings deposits</u>	<u>Loans</u>	<u>Shares</u>
	\$`000	\$`000	\$`000
General ledger (unadjusted)	4,307,734	5,168,803	2,190,876
Personal ledger	<u>4,307,734</u>	<u>5,168,803</u>	<u>2,190,876</u>
Differences as at December 31, 2014	<u>-</u>	<u>-</u>	<u>-</u>
Differences as at December 31, 2013	<u>-</u>	<u>-</u>	<u>-</u>

32. Commitments

- (a) At December 31, 2014, there were loan commitments to members totalling \$25,424 (2013: \$15,962,000) for the group and the co-operative.
- (b) At December 31, 2014, total capital commitments for the group and the co-operative amounted to \$8,099,000 (2013: \$7,206,000), of which \$3,753,000 (2013: \$358,000) have been deposited [note 9(i)].

33. Contingencies

- (a) There is a member's claim against the co-operative for damages in negligence for the sale of land below the market value for the property. Declarations have been filed by the claimant that the sale of the property was fraudulent and that the sale was in breach of the mortgage agreement, and that the sale of the property be set aside and any relevant endorsements on the registered title in the names of the transferees cancelled. A defence was filed on behalf of the co-operative and served on the Claimants.
- (b) There is one other case involving claims against the co-operative for damages in excess of \$1,200,000 for loss suffered as a result of alleged false imprisonment, breach of fiduciary duties and negligence.

The co-operative's attorneys are of the view that it should succeed in defending the claims, therefore, no provision has been made in the financial statements.

34. Fidelity insurance

Fidelity insurance coverage was adequately maintained during the year.

35. Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument.

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35. Fair values (cont'd)

Fair value hierarchy

IFRS specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: discounted cash flow techniques using a discount rate from observable market data, i.e. average of several brokers/dealers market indicative yields in active markets for identical assets or liabilities;
- Level 3: valuation techniques using significant unobservable inputs.

Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Group and co-operative				
	<u>Carrying amount</u> \$'000	<u>Fair value</u>			
		<u>Level 1</u> \$'000	<u>Level 2</u> \$'000	<u>Level 3</u> \$'000	<u>Total</u> \$'000
	2014				
Available-for-sale financial assets	<u>2,124</u>	<u>2,124</u>	<u>-</u>	<u>-</u>	<u>2,124</u>
	2013				
Available-for-sale financial assets	<u>84,586</u>	<u>51,968</u>	<u>32,618</u>	<u>-</u>	<u>84,586</u>

Basis for determining fair values

Available-for-sale financial assets include units held in unit trust, corporate bonds, quoted and unquoted equities. Quoted equities are valued using the quoted market bid prices listed on the Jamaica Stock Exchange. Units held in unit trust are valued using prices published by brokers/dealers. Unquoted equities are carried at cost as it not practicable to determine fair value. The fair value for corporate bonds was determined by obtaining a bid yield from yield curve provided by a recognised pricing source, which was then used to determine price by applying an acceptable formula. The price was then used to estimate fair value.

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Notes to the financial statements (continued)
December 31, 2014

36. Financial risk management

(a) Introduction and overview

The group has exposure to the following risks from its use of financial instruments and operations:

- (i) credit risk
- (ii) liquidity risk
- (iii) market risk

The Board of Directors has overall responsibility for the establishment and oversight of the group's risk management framework. The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Board through its various committees is responsible for monitoring compliance with the group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the group. All committees report regularly to the Board on their activities.

The Supervisory Committee is responsible for monitoring compliance with the group's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the group. Assistance is received in these functions by the Internal Audit department which undertakes periodic reviews of risk management controls and procedures.

(b) Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the group's loans to members, deposits with other institutions and investment securities. There is also credit risk exposure in respect of off-balance sheet financial instruments, such as loan commitments and guarantees, which expose the group to similar risks as loans and are managed in the same manner.

(i) Loans to members and guarantees

The management of credit risk in respect of loans to members is executed by the management of the co-operative. A committee is elected annually at the Annual General Meeting and is given the responsibility for the oversight of the group's credit risk and the development of credit policies. There is a documented credit policy in place, which guides the group's credit process.

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Notes to the financial statements (continued)
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36. Financial risk management

- (b) Credit risk (cont'd)
 - (i) Loans to members and guarantees (cont'd)

Collateral

The co-operative holds collateral against loans to members in the form of mortgage interests over property, lien over motor vehicles, other registered securities over assets, hypothecation of shares and other savings held in the co-operative and guarantees. Estimates of fair values are based on value of collateral assessed at the time of borrowing and are generally not updated except when a loan is individually assessed as impaired. In certain instances, without foreclosing, the co-operative acts upon its lien over motor vehicles and mortgage interest over property. As at December 31, 2014, the co-operative held motor vehicles with an estimated value of \$25,600,000 (2013: \$21,585,000), and real properties with an estimated value of \$359,300,000 (2013: \$185,620,000). These assets will be disposed of by auction and/or private treaty.

Impaired loans

Impaired loans are loans for which management 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 management believes that impairment is not appropriate based on the quality and value of security available or the stage of collection of amounts owed to the group.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the member's financial position and where the co-operative has made concessions that it would not otherwise consider. Once the loan is restructured, it is classified and monitored.

Allowances for impairment

The group establishes an allowance for loss 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 portfolio basis in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

The group writes off a loan (and any related allowances for impairment losses) when it determines that the loans are uncollectible. This determination is usually made after considering information such as changes in the borrower's financial position, or that proceeds from collateral will not be sufficient to pay back the entire exposure or provided the loan is more than twelve (12) months in arrears. Loans for write-off must be submitted to the Board of Directors for approval and ratified by the co-operative's membership at its Annual General Meeting.

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36. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(ii) Deposits and investment securities

The group limits its exposure to credit risk by investing only in liquid assets with counterparties that have high credit ratings and Government of Jamaica securities. Therefore, management does not expect any counterparty to fail to meet its obligations.

The group has documented investment and deposit policies in place, which guide in managing credit risk on deposits and investments. The group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

(iii) Exposure to credit risk

The group's exposure to credit risk is geographically concentrated in Jamaica. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year.

The carrying amount of financial assets recorded in the financial statements, (net of impairment losses) represents the group and co-operative's maximum exposure to credit risk, without taking account of the value of any collateral held.

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

(c) Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial liabilities as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under both normal or stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The group manages this risk by keeping a substantial portion of its financial assets in liquid form in accordance with regulatory guidelines, monitoring future cash flows and liquidity on a daily basis and maintaining an adequate amount of committed credit facilities.

The co-operative is subject to a liquidity limit of 20% imposed by JCCUL and compliance is monitored monthly. The key measure used by the co-operative for managing liquidity risk is the ratio of liquid assets, minus short-term liabilities, to total savings. The liquid asset ratio at the end of the year was 11.71% (2013: 12.67%).

The co-operative is also required to hold a liquidity reserve of 10% of specified liabilities. A minimum of 8% is to be held with JCCUL while a maximum of 2% can be held with approved financial institutions. The liquidity reserve ratio at the end of the year was 10.83% (2013: 10.33%).

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36. **Financial risk management (cont'd)**

(c) Liquidity risk (cont'd)

The following table presents the undiscounted contractual maturities of financial liabilities, including interest payments, on the basis of their earliest possible contractual maturity.

	Group				
	2014				
	<u>1 to 3</u> <u>months</u> \$000	<u>3 to 12</u> <u>months</u> \$000	<u>Over 12</u> <u>months</u> \$000	<u>Total cash</u> <u>outflows</u> \$000	<u>Carrying</u> <u>Amount</u> \$000
Savings deposits	3,334,684	661,284	327,077	4,323,045	4,307,734
Voluntary shares	2,190,876	-	-	2,190,876	2,190,876
Deferred shares	6,443	19,328	300,000	325,771	300,000
External credits	100,527	37,697	9,342	147,566	144,927
Non-interest bearing liabilities	<u>234,096</u>	<u>-</u>	<u>-</u>	<u>234,096</u>	<u>234,096</u>
	<u>5,866,626</u>	<u>718,309</u>	<u>636,419</u>	<u>7,221,354</u>	<u>7,177,633</u>
	2013				
	<u>1 to 3</u> <u>months</u> \$000	<u>3 to 12</u> <u>months</u> \$000	<u>Over 12</u> <u>months</u> \$000	<u>Total cash</u> <u>outflow</u> \$000	<u>Carrying</u> <u>Amount</u> \$000
Savings deposits	3,330,397	459,293	283,769	4,073,459	4,062,005
Voluntary shares	2,185,326	-	-	2,185,326	2,185,326
Deferred shares	6,358	19,426	300,000	325,784	300,000
External credits	26,014	17,964	3,820	47,798	47,146
Non-interest bearing liabilities	<u>185,117</u>	<u>-</u>	<u>-</u>	<u>185,117</u>	<u>185,117</u>
	<u>5,733,212</u>	<u>496,683</u>	<u>587,589</u>	<u>6,817,484</u>	<u>6,779,594</u>
	Co-operative				
	2014				
	<u>1 to 3</u> <u>months</u> \$000	<u>3 to 12</u> <u>months</u> \$000	<u>Over 12</u> <u>months</u> \$000	<u>Total cash</u> <u>outflow</u> \$000	<u>Carrying</u> <u>Amount</u> \$000
Savings deposits	3,334,684	661,284	327,677	4,323,645	4,307,734
Voluntary shares	2,190,876	-	-	2,190,876	2,190,876
Deferred shares	6,443	19,328	300,000	325,771	300,000
External credits	100,527	37,697	9,342	147,566	144,927
Non-interest bearing liabilities	<u>229,380</u>	<u>-</u>	<u>-</u>	<u>229,380</u>	<u>229,380</u>
	<u>5,861,910</u>	<u>718,309</u>	<u>637,019</u>	<u>7,217,238</u>	<u>7,172,917</u>

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36. Financial risk management (cont'd)

(c) Liquidity risk (cont'd)

	Co-operative (Cont'd)				
	2013				
	1 to 3	3 to 12	Over 12	Total cash	Carrying
	<u>months</u>	<u>months</u>	<u>months</u>	<u>outflow</u>	<u>Amount</u>
	\$000	\$000	\$000	\$000	\$000
Savings deposits	3,330,397	459,293	283,769	4,073,459	4,062,005
Voluntary shares	2,185,326			2,185,326	2,185,326
Deferred shares	6,358	19,426	300,000	325,784	300,000
External credits	26,014	17,964	3,820	47,798	47,146
Non-interest bearing liabilities	<u>182,613</u>	<u>-</u>	<u>-</u>	<u>182,613</u>	<u>182,613</u>
	<u>5,730,708</u>	<u>496,683</u>	<u>587,589</u>	<u>6,814,980</u>	<u>6,777,090</u>

The co-operative has a documented assets and liabilities policy in place that guides the management of its liquidity risks.

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

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk exposures are measured using sensitivity analysis.

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

(i) Currency risk

Currency risk is the risk that the market value of, or the cash flows from, financial instruments will vary because of exchange rate fluctuations. The group is exposed to foreign currency risk due to fluctuations in exchange rates on transactions and balances that are denominated in currencies other than the Jamaica dollar. The group is primarily exposed to the United States dollar (US\$) and the Pound Sterling (£).

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December 31, 2014

36. **Financial risk management (cont'd)**

(d) Market risk (cont'd)

(i) Currency risk (cont'd)

The group and co-operative's exposure to foreign currency risk at the reporting date was as follows:

	<u>Group</u>		<u>Co-operative</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	US\$'000	US\$'000	US\$'000	US\$'000
Bank accounts	248	235	237	232
Cash floats	2	7	2	7
Investments	-	783	-	783
Accounts payables	(37)	(14)	-	-
	<u>213</u>	<u>1,011</u>	<u>239</u>	<u>1,022</u>

	<u>Group</u>		<u>Co-operative</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	£'000	£'000	£'000	£'000
Bank account	13	18	12	18
Cash floats	<u>3</u>	<u>-</u>	<u>3</u>	<u>-</u>
	<u>16</u>	<u>18</u>	<u>15</u>	<u>18</u>

The exchange rates for the Jamaica dollar, in terms of the US\$ and Pound Sterling, as at December 31, 2014 were as follows: J\$114.12 = US\$1.00 (2013: J\$105.72 = US\$1.00 and J\$175.97 = £1.00 (2013: J\$173.56 = £1.00).

A 10% (2013: 15%) weakening of the Jamaica dollar against the following currencies at December 31 would have increased profit or loss by the amounts shown. The analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis is performed on the same basis for 2013.

	<u>Group</u>		<u>Co-operative</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	\$'000	\$'000	\$'000	\$'000
United States dollar (US\$)	0.24	10.83	0.27	10.79
British Pound Sterling (£)	<u>0.03</u>	<u>0.32</u>	<u>0.03</u>	<u>0.32</u>

A 1% (2013: 15%) strengthening of the Jamaica dollar against these currencies at December 31 would have had the equal but opposite effect, on the basis that all other variables remain constant.

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36. Financial risk management (cont'd)

(d) Market risk (cont'd)

(ii) Interest rate risk

Interest rate risk is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. It arises when there is a mismatch between interest-earning assets and interest-bearing liabilities, which are subject to interest rate adjustments, within a specified period. It can be reflected as a loss of future net interest income and/or a loss of current market values. Interest rate risk is managed by holding primarily fixed rate financial instruments which form the majority of the group's financial assets.

The group has a documented assets and liabilities policy in place that guides the management of its interest rate risk.

The interest rate profile of the group's and co-operative's interest-bearing financial instruments is as follows:

	<u>Group</u>		<u>Co-operative</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	\$'000	\$'000	\$'000	\$'000
Fixed-rate instruments				
Financial assets	6,253,067	5,730,987	6,252,358	5,730,309
Financial liabilities	(6,643,537)	(6,294,477)	(6,643,537)	(6,294,477)
	<u>(390,470)</u>	<u>(563,490)</u>	<u>(391,179)</u>	<u>(564,168)</u>
			<u>Group and Co-operative</u>	
			<u>2014</u>	<u>2013</u>
			\$'000	\$'000
Variable-rate instruments				
Financial assets			532,352	532,352
Financial liabilities			(300,000)	(300,000)
			<u>232,352</u>	<u>232,352</u>

Fair value sensitivity analysis for fixed rate instruments

The group and the co-operative do not account for any fixed rate financial assets and liabilities at fair value through profit or loss or available for sale. Therefore a change in interest rates at the reporting date would not affect profit or loss or equity.

Cash flow sensitivity analysis for variable rate instruments

A change in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	<u>Group and Co-operative</u>	
	<u>2014</u>	<u>2013</u>
	\$'000	\$'000
2.5% (2013: 2.5%) increase	5,808	5,808
1% (2013:1%) decrease	<u>(2,323)</u>	<u>(2,323)</u>

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36. Financial risk management (cont'd)

(d) Market risk (cont'd)

(iii) Equity price risk:

Equity price risk arises from available-for-sale equity securities held by the co-operative as part of its investment portfolio. Management monitors the mix of debt and equity securities in its investment portfolio based on market expectations. The primary goal of the co-operative's investment strategy is to maximise investment returns.

Some of the co-operative's equity securities are listed on the Jamaica Stock Exchange. A 10% (2013: 10%) increase or decrease in quoted bid prices at the reporting date would have increased or decreased, respectively, equity by \$205,000 (2013: \$211,000).

(e) Capital management

The group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns to its members and benefits for other stakeholders and to maintain a strong capital base to support the development of its business. The group and co-operative define their capital base as permanent capital and institutional capital and deferred shares. Dividend payout is made taking into account the maintenance of an adequate capital base.

The co-operative is required by JCCUL to maintain its institutional capital at a minimum of 8% of its total assets, excluding specific reserves. At the reporting date, this ratio was 6.66% (2013: 7.58%). If the guarantee of \$180M by JCCUL is taken into consideration, the ratio would be 8.84% (2013: 9.78%), which is above the required 8%.

There were no changes in the group's approach to capital management during the year.

