



COK SODALITY CO-OPERATIVE CREDIT UNION LTD.

Invest in your future today!

ANNUAL REPORT

2013



Prayer of St. Francis of Assisi

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

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



COK SODALITY CO-OPERATIVE CREDIT UNION LTD.

Invest in your future today!

TABLE OF CONTENTS

| | Pages |
|---|----------|
| Notice & Agenda | 2 |
| Corporate Profile | 3 |
| Minutes of the 46th Annual General Meeting | 4 – 14 |
| Board of Director's Report | 16 – 26 |
| Treasurer's Report | 28 – 39 |
| COK Sodality Management Team | 40 |
| COK Sodality Team Members | 41 – 44 |
| COK Sodality Corporate Citizen 2013 | 45 |
| Credit Committee Report | 46 – 47 |
| Supervisory Committee Report | 48 – 49 |
| Nominating Committee Report | 50 – 52 |
| Delegates' Report of the 72nd Annual General Meeting of the Jamaica Co-operative Credit Union League | 53 – 54 |
| Delegates' Report of the Annual General Meeting of the Jamaica Fishermen Co-operative Union Limited | 55 |
| Report of the Education Committee | 56 - 57 |
| Obituaries | 58-60 |
| Department of Co-operatives & Friendly Societies | 61 |
| Audited Financial Statements | 63 - 116 |

ANNUAL REPORT 2013



NOTICE

Notice is hereby given that the 47th Annual General Meeting of COK Sodality Co-operative Credit Union Limited will be held on Wednesday, May 7, 2014, at the Jamaica Conference Centre, starting at 1:00 p.m. Registration commences at 12:00 noon.

Christopher Robinson
Secretary
April 2014

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 45th 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. Any Other Business
11. 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").

MOVING FORWARD

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 membership is open to:

- a) Persons of the universal catholic faith (believing that Jesus Christ is the 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

COK Sodality currently manages over \$7.12B in assets on behalf of over 257,000 members through a branch network of 5 locations across the island – 2 in Kingston Metropolitan Region, Portmore, Mandeville and Montego Bay.

Along with its traditional product offerings of deposits and multiple loan facilities, the Credit Union also offers an Approved Retirement Scheme 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 15 years through COK Exchange Cambio Services.

Though COK Sodality is led by a member-appointed Board of Directors with newly-elected and first female President, Miss Carol Anglin, the daily operations are the purview of the management team led by Chief Executive Officer, Jacqueline Mighty, who is adeptly supported by Senior Managers, Linda Miller and Desmond Foster.

COK Sodality enjoys memoranda of understanding with several credit unions in the Caribbean region and also in South Florida. These associations, along with its ever expanding online banking system, are geared towards ensuring effective service delivery to its membership whether at home or in the diaspora.

As COK continues to seek opportunities to expand the range of product and service offerings available to members, 2010 marked another banner year in the pursuit of that objective. In August 2010, having sought and received approval from the Registrar of Co-operatives & Friendly Societies, the Credit Union acquired shares in MoneyMasters Limited. This investment now affords COK Sodality members greater access to a wider range of wealth creation products.

This opportunity also serves to diversify the income stream of the Credit Union, to include earnings from project financing among others.

ANNUAL REPORT 2013



MINUTES OF THE ANNUAL GENERAL MEETING

MINUTES OF THE FORTY-SIXTH ANNUAL GENERAL MEETING OF COK SODALITY CO-OPERATIVE CREDIT UNION LIMITED HELD ON WEDNESDAY, MAY 8, 2013 AT THE JAMAICA CONFERENCE CENTRE, COMMENCING AT 1:25PM

ASCERTAINMENT OF QUORUM AND CALL TO ORDER

Having ascertained from the Chief Executive Officer, Mrs. Jacqueline Mighty, that 163 persons 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-sixth AGM to order at 1:25pm.

READING OF NOTICE CONVENING THE MEETING

Dr Karen Asher Osbourne, Assistant Secretary, read the Notice convening the Meeting which complied with Rule 60 of the COK Sodality Co-operative Credit Union Rules. She noted that the Notice of the AGM was first published on April 26, 2013 in the Observer newspaper and posted in all COK Sodality Branches.

OPENING PRAYER AND OBITUARIES

The Chairman invited everyone to stand for the playing of a rendition of the National Anthem that was played August 1962 when Jamaica's flag was first raised. Prayer was offered by Msgr. Michael Lewis.

The Prayer of St. Francis of Assisi was followed by the observance of a minute's silence for members who departed during the year and were outlined on pages 58 & 59 in the Annual Report Booklet.

WELCOME AND INTRODUCTION

The Chairman, Ms Anglin extended a warm welcome to everyone, and outlined the Parliamentary procedures to be observed for the meeting. She mentioned that in 2013 the International Year of Co operatives was declared by the United Nations under the theme "Co operatives build a better world". The Credit Union not only embraced this theme over the past 46 years; but lived it especially in 2012

by growing the membership base, increasing loans growth, stabilizing delinquency, and maintaining liquidity despite the challenges being faced as a nation and a people. The Credit Union made every effort to provide solutions for our members' well-being, welfare and growth as it continued to diversify and strengthen the products and service offerings.

She stated that new business lines along with intense focus on revenue growth and cost management initiatives will over time see COK Sodality gradually returning to a position of surplus. The Board and Management in 2012 also focused their efforts on increasing distribution points and access via the new ATMs, managing the operations, addressing delinquency aggressively while engaging the membership to find solutions, improving service delivery despite signs that 2013 would be a challenging year. COK Sodality was committed to empowering each individual member by always searching for viable economic solutions; new and innovative ways of doing business and driving sales and loans.

Ms Anglin introduced the members present on the platform as follows:

- | | |
|---------------------------|---------------------------------|
| Msgr. Michael Lewis | - Vice President |
| Mr. Christopher Robinson | - Treasurer |
| Mr. Deryke Smith | - Assistant Treasurer |
| Dr. Karen Asher- Osbourne | - Assistant Secretary |
| Mr. Trevor Blake | - Director |
| Mr. Steadman Pitterson | - 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 OF SPECIALLY INVITED GUESTS

Welcome was extended to the following specially invited guests by Mrs Jacqueline Mighty:

- | | |
|-------------------------------|-----------------------------------|
| Mrs. Vinnate Foster | - Foundation Member, COK Sodality |
| Father Gerry McLaughlin, S.J. | - Foundation Member, COK Sodality |
| Mr. Garth O'Sullivan | - Trustee, COK Pension Scheme |
| Mrs. Donna Parchment Brown | - Trustee, COK Pension Scheme |



MINUTES OF THE ANNUAL GENERAL MEETING Cont'd..

- Mr. Michael Martin - Former Board Member, COK Sodality
- Mr. Franklyn Moodie - Former Board Member COK Sodality
- Mr. Basil Lue - Member, COK Sodality Education Committee
- Bishop-Elect Burchell McPherson - Member, COK Sodality Nominating Committee
- Mr. Patrick Chin - Auditor KPMG
- Ms. Nadine Williams - Auditor KPMG
- Mr. Glenworth Francis - Jamaica Co-operative Credit Union League (JCCUL)
- Ms. Vera Lindo - Jamaica Co-operative Credit Union League (JCCUL)
- Dr. Velma Brown-Hamilton - Hamilton, Brown-Hamilton & Associates
- Mr. Mark Hill - Money Masters Ltd. (MML)
- Ms. Sandra Ottey - Money Masters Ltd. (MML)
- Mrs. Claudette Crooks-Collie - Money Masters Ltd. (MML)
- Mr. Errol Gallimore - Department of Co-operatives & Friendly Societies (DCFS)
- Ms. Cheryl Brown - Department of Co-operatives & Friendly Societies (DCFS)
- Ms. Tanisha Facey - Department of Co-operatives & Friendly Societies (DCFS)
- Mr. David Wan - CMFG Life Insurance
- Mrs. Nicola Johnson-Young - CMFG Life Insurance
- Mr. Adrian McKay - Centralized Strategic Services (CSS)
- Mr. Fitz Rowe - St Elizabeth Co-operative Credit Union

Mrs Mighty acknowledged that Teachers' 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 the Credit Union who were attending the annual general meeting. She advised that they were assigned a special area and from all indications were enjoying themselves.

APOLOGIES FOR LATENESS

Mrs. Mighty advised that apologies for lateness were received from the following Directors: Mr. Winston Butler, Mr. Joscelyn Jolly, Mrs. Debbie-Ann Gordon-Crawford and Mr. Al Chambers.

APOLOGIES FOR ABSENCE

Apologies for absence were received from the following:

- Ambassador Aloun Ndombet-Assamba - Former Board Member & GM, COK Sodality
- Mr. Harold Stewart - Former Board Member, COK Sodality
- Mrs. Lorraine Stewart - Member, COK Sodality
- Mr. Albert Morris - Honorary Director, COK Sodality
- Mrs Margaret Morris - Member, COK Sodality
- Mr. Arnold Breakenridge - Supervisory Committee Member, COK Sodality
- Mr. Neville Rhone - Trustee, COK Pension Scheme

ADOPTION AND CONFIRMATION OF MAY 2012 AGM MINUTES

The Minutes having been circulated were taken as read on a motion moved by Mr. Michael Martin and seconded by Mrs. Vita Allen Stone.

There were no amendments to the minutes. The motion for the adoption and confirmation of the minutes was moved by Mr. Lorenzo Barrett and seconded by Mr. Donald Blackwood.

MATTERS ARISING FROM THE MINUTES

The Assistant Secretary, Dr. Asher Osbourne asked the members to raise matters from the minutes that required clarification.

Service Delivery

Mr. Garth O'Sullivan commended the Management and Staff on the excellent service being provided to the members, particularly at the Portmore, Half-Way-Tree and Cross Roads Branches.

ANNUAL REPORT 2013



MINUTES OF THE ANNUAL GENERAL MEETING Cont'd.

He implored them to continue despite the challenges being experienced. He urged the members when transacting business to note any areas they think needed improvement and submit their recommendations to the Management.

Delinquency

Mr. Garth O'Sullivan pointed out the seriousness of delinquent accounts on the operations of the Credit Union and asked that the Directors and Management review the matter thoroughly. He asked that members applying for loans be properly scrutinized to ensure their credit worthiness, as too often when some members are granted loans, they become delinquent within a month thereafter, and efforts to locate them proved futile as they cannot be found at the address given. This was impacting the delinquency and the matter needed to be addressed urgently; and should thus commence at the loan application stage.

Mr. Trevor Blake assured Mr. O'Sullivan that as Chairman of the Debt Management Committee he was aware that special care was being taken to conduct an intensive investigation of the members when they apply for loans. He said the Committee was not aware of this situation occurring in the Credit Union and it probably occurred in the past.

Mr. Michael Martin commented that it appeared that a problem exists based on the two different perspectives expressed and as such the matter warrants a thorough investigation by the Debt Management Committee.

Permanent Shares

Mrs. Emma Thomas reminded the members of the Credit Union's drive to get the membership permanent shares compliant. She urged members without the \$2,000.00 in their accounts to make every effort to bring their accounts up-to-date and assist in getting other members known to them to do so as a matter of urgency, as this would help to strengthen the capital base of the organization.

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. Basil Lue.

The President noted that 2012 was a challenging year for the members and the Credit Union as the economy in Jamaica and globally continued to recover. Efforts, however, continued to take the organization out of the deficit and into a path of sustainable recovery. She said in 2011 there were a few setbacks which negated some of the positive strides in 2012; however, the Credit Union's liquidity position still remained healthy, and reflected a strong potential to fuel growth in terms of loans and income generation. Recognizing the challenges that the membership and the organization faced, especially in the last three years, the strategic plan was tweaked further to drive improved performance in critical areas of delinquency management, investment management, cost management and loan growth.

Performance

In 2012, there was a net loss of approximately \$126M, which was due to not achieving the targets in bad debt recoveries on charged off and delinquent loans, investment gains from the trading of Government bonds, operating cost containment and delinquency management.

Delinquency

There was moderate improvement in the delinquent portfolio with approximately \$447M for loans delinquent 31 days and over at the end of 2012, versus \$742.7M in 2011, a decrease of \$295.7M or 40%. Income from sale of collateral held against charged off or delinquent loans achieved 35% of the target.

Operating Costs

This amounted to approximately 110% of the budget, which was a slight increase of 5% over 2011. This was driven by higher costs and increased marketing activities.



MINUTES OF THE ANNUAL GENERAL MEETING Cont'd.

Loan Growth

The disbursements of loans were approximately \$2.9B achieving 97% of the target for the year. This was mainly due to the active promotions during the year of mortgage refinancing, motor vehicles and home equity loans. The Credit Union grew the loan portfolio to \$4.1B at the end of 2012.

Operations

Strategies during the year saw more focus being placed on member care engagements, re-training staff members, increasing promotional activities, renovation of products and rationalization of internal processes to ensure that the value derived by our members was on par with or better than our competitors.

Special Initiatives

Some special initiatives which were launched in 2012 included the mortgage re-financing product, expansion of the number of remittance companies, installation of two new full service Automatic Teller Machines, as well as improving the debt collection process to have earlier contact with delinquent members and faster disposal of collateral when the member defaulted.

Corporate Social Responsibility

The Credit Union made important contributions to the economic and social well being of members' communities during the year by being involved in educational, sporting and agricultural initiatives, as well as addressing the welfare needs of the less fortunate, particularly targeting the elderly and indigent in communities surrounding our branches in Kingston, Portmore, Mandeville, and Montego Bay. In 2012, seventeen scholarships amounting to \$470,000 were awarded through our Education Committee for the Bertie Morris Scholarship, Carter Carter Scholarship and the Trevor Blake Scholarship.

Prudential Measures

In 2012 some of the options employed by COK Sodality to strengthen its capital base included increasing Permanent Shares, and as at December 2012, \$361.9M was collected in Permanent Shares.

Deferred Shares

The Deferred Shares helped to diversify and strengthen the organization and we remained confident that the Credit Union investment portfolio had sufficiently matched its assets and liabilities to guarantee complete fulfillment of the obligations of the holders of the deferred shares.

Service Fee

This was one of the initiatives implemented to strengthen the capital base, and also aimed at achieving a surplus as operating and delivery costs were on the rise. All interest rates, fees and charges continued to be reviewed to attain the members' well-being and the Credit Union's viability.

Delinquency Management

The number of delinquent accounts was reduced from 2,000 in 2011 to approximately 1,900 in 2012 with the principal arrears ranging from 90 to over 365 days totaling \$182.6M. Included in the amount was \$55.2M over 365 days in arrears and for which 100% of the value had been provided for in the accounts. The Directors presented the accounts for the meeting's approval to treat them as charged off loans. The amount of \$33.5M collected during the year was charged off in previous years.

Notable Legal Issue

An amount of \$56.5M relating to the remaining balance from a Cambio Trading Partner for its default on a transaction was included in the receivables. The recovery of this balance was being pursued through the courts and it is the opinion of our attorneys that the Credit Union's interest is well secured and no provision was, therefore, made in the accounts for this balance.

Human Resources

There were 241 persons employed to the organization at the end of December 2012 which included 141 permanent staff, 95 contracted/temporary staff and 5 H.E.A.R.T. trainees. In February 2013, as part of the cost management initiatives, regrettably 25 employees were separated from the organization through redundancy. Three employees also elected for early retirement in March 2013.

ANNUAL REPORT 2013



MINUTES OF THE ANNUAL GENERAL MEETING Cont'd.

During the year Ms. Marcia Lewis - Risk & Compliance Manager, Ms. Paula Atkinson - Human Resources and Learning Manager, and Mr. Sean Cousins - Treasury Manager, demitted office.

Ms. Millicent Isaacs the Human Resources and Learning Manager joined the organization in 2012. Ms. Teasha Fraser was appointed Assistant Treasury Manager.

Mr. Joscelyn Jolly from the Board and Mrs. Myrna Watts from the Supervisory Committee, after 31 years and 9 years respectively did not seek re-election. Mr. Clifton Williams and Mr. Joslyn Richards from the Credit Committee resigned.

Improving Communication

In our drive to improve service to members and communications in 2012 current technology was used to keep in touch with the members. Information was sent via email, text messages, Facebook, the Internet and video screens in the branches.

COK Remittance Services Ltd. (COKRS)

The company in its fourth year of operations made a loss in 2012 of \$1.7M compared to \$2.6M in 2011. Some strategies were put in place to increase income and profit in the medium term.

Money Masters Limited (MML)

COK Sodality acquired 25% ordinary shares in MML in August 2010 which earned the Credit Union \$2.4M in 2011 and \$0.6M in 2012. This represented an overall return of approximately 11% on the investment. Messrs. Trevor Blake and Christopher Robinson continued as COK Sodality's representatives on the Board of MML.

Corporate Governance

The Board of Directors continued throughout the year to review the operations and subsidiary activities of the Credit Union through various committees of the Board. We continue to experience compliance issues with the Know Your Member (KYM) due diligence as many of the members continue to demonstrate reluctance to update their information on the Credit Union's files, which is a requirement under the Act.

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

Impending BOJ Credit Union Regulation

The Jamaica Co operative Credit Union League (JCCUL) met with the Minister of Finance and the Bank of Jamaica in October 2012, where the major areas were re examined.

Credit Bureau

The Board of Directors approved the Credit Union's participation as a Credit Information Provider to the two licensed Credit Bureaus operating in Jamaica. This should give tremendous boost to the credit risk assessment currently being done by the Credit Union, and thus reduce the level of delinquency.

The Way Forward

Since the start of 2013, there have already been severe economic adjustments with the Government imposing a National Debt Exchange (NDX). Efforts would be made to reverse the organization's performance and secure its continued relevance. Some areas of focus would be to:

- Improve member service delivery
- Maximize on bad debt recoveries
- Reduce operating costs
- Increase income from loans, investments and other streams
- Improve internal processes, particularly in the areas of credit, debt management and branch operations
- Continue the process of automating our systems for improved efficiencies
- Improve market share by courting aggressively our membership for investments, savings, borrowings and remittances.

Ms. Anglin stated that COK Sodality would take strategic initiatives that would bolster, protect and grow all areas of business, to satisfy the members' diverse needs in order to achieve sustainable long run performance.



MINUTES OF THE ANNUAL GENERAL MEETING Cont'd.

Acknowledgement

The President expressed appreciation to the volunteers, staff, liaison officers, providers of professional services and all others who assisted the COK Sodality Co operative Credit Union to conduct its affairs over the past year. She conveyed sincere 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

Mr. Michael Burke pointed out that COK Sodality being a community and not an in-house credit union had contributed to the delinquency problem as it was not conducting business only with people in their work places. He believed that there should be a voluntary representative in the companies, especially large companies, where members with loans were employed. In this way they could oversee any co-worker who is a delinquent member of the credit union. Such persons should not only just encourage joining the Credit Union but should play a significant part in management of delinquent members, as it was easier to locate members at work than their homes as persons change their addresses more often. He said this was one initiative that could help with delinquency management.

Mrs. Sheila Goulbourne enquired whether there were any plans to communicate with the overseas members. She noted that a large number of members with huge amounts in the Credit Union reside overseas and some might not be transacting any business as they did not visit Jamaica for a long time. They received no statements from the Credit Union, did not have access to their accounts and did not know what was happening to their accounts. She asked if some efforts could be made to arrange for continuation of business on these members' accounts.

Mrs. Mighty replied that the online banking had commenced which would facilitate members accessing their accounts, particularly those residing overseas. The service would be expanded so that the members could not only view their accounts but also pay their loans. Information on how the process works would be disseminated to the members through the Credit Union's website.

Msgr. Lewis thanked everyone for the concerns expressed, questions and issues raised in the discussion and brought the segment to a close.

The motion for the adoption of the Board of Directors' Report was moved by Mr. Erell Crooks and seconded by Mr. Donald Blackwood. The motion was unanimously carried.

TREASURER'S AND AUDITOR'S REPORTS

The motion for the Treasurer's Report to be taken as read was moved by Mr. Michael Burke and seconded by Mr. Errol Gregory.

The Treasurer, Mr. Christopher Robinson in presenting the report noted that 2012 was a challenging year for Jamaica as the economy generally dipped back into recession. He stated that the Credit Union was not isolated or insulated against any of this and the effects were felt on its operations.

Loan Portfolio

The macro economic conditions contributed to increased unemployment which resulted in less disposable income available to the members. Despite this, however the Credit Union was still able to record its highest loan growth and disbursement within recent years. Although the collections efforts had been increased, the Credit Union continued to be challenged by loan defaults, as well as, lower levels of savings.

There was significant reduction in interest income yields on loans. In trying to address the declining interest from loans, the Credit Union successfully offered a mortgage re-finance programme which contributed over \$200M to the \$670M loan growth.

Bad Debt Provision and Delinquency

The plan was to recover approximately \$95M from debt, but only \$34M was recovered. The loss in provision exceeded plans by \$25M. The lowest delinquency rate in recent years of 10.55% compared to 13.6% in 2011 was achieved. This was against a budget of 5%. The Credit Union would continue to employ an aggressive posture with collections, including legal actions in small claims court in 2013.

ANNUAL REPORT 2013



MINUTES OF THE ANNUAL GENERAL MEETING Cont'd.

Balance Sheet

In 2012 the balance sheet did not grow as the primary focus in 2012 was loan growth. Loans grew by over \$670M or 9% during 2012. However, over the year there was a gradual decline due in part to lower demands for loans as members' disposable income was reduced due to economic challenges. The Credit Union however, adjusted its loan portfolio mix to include longer tenure loans as mortgage loans.

Given the challenges faced in the economy and the increase in loan portfolio, the Credit Union ended the year with a provision of \$101M compared to \$76M in the previous year. This was due to an increase in some unsecured and secured loan types. The new initiatives in 2013 should, however, arrest the monthly provisioning which had impacted greatly the Credit Union's bottom line.

As at December 2012 the investment portfolio was \$2.3B, a decrease by a net \$480M over 2011. The savings portfolio slightly increased in 2012 to \$6.2B or just 0.68% from 2011. The ordinary shares declined marginally by \$4M, when compared to previous years.

Membership

The Credit Union Adult and C.A.R.E.S. membership provided 4,954 and 2,257 members or 6% and 10% respectively in 2012. Permanent Shares increased by \$23M when compared to 2011. The Treasurer encouraged the membership to assist in the drive for compliance, as well as, increase Permanent Shares in 2013.

The Way Forward

The Treasurer stated that the primary focus of the Credit Union in 2013 would be growing savings and by extension, growth in assets. The Credit Union would seek to:

- achieve the delinquency target of 8% and moving eventually to 5% or less
- make cost containment a culture within the organization
- boost its capital adequacy ratio by expanding its permanent share programme.

He said the budget for 2013 will see a turnaround in the organization as a surplus of about \$40M was projected.

Despite the challenges associated with upgrading in this highly competitive environment, COK Sodality believed it was well positioned to return to sustainable profitability. The Board's commitment to providing financial assistance to the membership in a cost effective and efficient manner continues. COK Sodality he said, is a safe depository for the members' savings, and despite the environment within which we were currently operating the Credit Union remained very positive in its ability to play an important part in fostering financial independence and creating wealth for its members.

At this point the Treasurer invited Ms. Nadine Williams from the auditing firm KPMG to read the Auditor's Report. She mentioned that the firm audited the financial statements of COK Sodality Co-operative Credit Union Limited and the consolidated financial statements of the co-operative and its 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 Treasurer thanked the Management and Staff for their diligence and hard-work during the year; as well as the volunteers who had given their time and expertise to the Credit Union. He also thanked the Department of Co-operatives and Friendly Societies; the Jamaica Co-operative Credit Union League; the bankers and all who had assisted the Credit Union during the year just ended. He thanked the auditors, KPMG who worked with the Credit Union through the year; and the members who remained loyal, for their continued support.

QUESTIONS FROM THE TREASURER'S REPORT

Mr. Garth O'Sullivan opined that each year it is reported that the Credit Union would make a profit and measures were outlined to grow the business and yet he did not see it being realized. He also enquired when will there be improvement in the operations, as much more needed to be done to grow the Credit Union. He asked that Management do a thorough investigation of members applying for loans to ensure that they were in a position to repay, as this would assist in reducing the delinquency.

Mr. Robinson pointed out that the plans for 2013 indicated that growth will take place in the Credit Union; as results from the first three months so far had indicated that things were improving.



MINUTES OF THE ANNUAL GENERAL MEETING Cont'd.

He said the loan application process had been tightened to ensure that only persons who can repay were granted loans.

Mrs. Claudette Crooks Collie noted that from the report the organization was spending approximately 18% of its income on computer related expenses on a per annum basis, and asked the Treasurer to look closely at that particular expenditure to see if it could be reduced. She said the \$30M computer related matters for a \$500M earning entity like COK Sodality seemed a little bit on the larger side and needs to be analyzed. She noted that the operating expenses had increased by \$30M; however there were some reduction in this area for 2013. She asked if the branches were operating as profit centres, and if it was done on an ongoing basis.

Mr. Robinson responded that the branches did operate as profit centres and were evaluated every month to see if they were meeting their projections, and contributing to the projected surplus. He advised that the computer related expense was being monitored to achieve maximum efficiencies.

He said in terms of the expenses the Credit Union had already implemented many of the initiatives during 2013, and it was anticipated to see some results, as there was an ongoing cost management programme. He pointed out that 2013 was also going to be a tough year and it had already started in terms of the recently introduced Government's National Debt Exchange (NDX) which would have a negative effect on the operations of many institutions, including COK Sodality. The Credit Union, however, remained optimistic in terms of the initiatives that had already been taken.

Mrs. Shelia Goulbourne asked what the reason was for the implementation of the fee charge. She stated that it was unfair for the members who were trying hard to save only to have this fee charge amount taken from their savings when in fact they were not receiving any dividend from the Credit Union.

Mr. Robinson pointed out that the fee charge was approved by the members in 2011. He said part of the fee structure was that there would be no charge to the members when they use COK ATM, for balance enquiries, transfers of loans, loan payments and deposits.

This would encourage the members to use the COK ATMs. Additionally, the fee structure allowed the members to pay their loans through Paymaster which provided easy access. He also encouraged the members to apply for their ATM card. The aim he said was to expand the ATM network across the island, and the long-term objective was to reduce or eliminate all the various fees being charged by the Credit Union.

The motion for the adoption of the reports was moved by Mr. Garth O'Sullivan and seconded by Mr. Lorenzo Barrett. 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. Basil Lue.

The Chairman, Mrs. Donna Pommells introduced the members of the Committee. In presenting the Report she stated that despite the grave recession and increased competition in the financial sphere the Credit Union had a 41% increase in loan disbursements.

The Credit Committee she said continued to exercise oversight responsibility for all loans approved within the organization, and as such, met fortnightly to consider, discuss and approve loan applications from a wide cross section of the portfolio, including those for volunteers and staff.

The Credit Union she said embarked on a special loan promotion which included a special mortgage re-financing loan for members who were paying high interest rates on their existing mortgages, to have them transferred to COK at a low rate of 9%. This product generated a lot of buzz in the marketplace and was very successful.

In closing, Mrs. Pommells encouraged everyone with loans to make every effort to repay their loans diligently; to save systematically and consistently to help in the growth of the Credit Union.

Mrs. Pommells thanked the Board of Directors, Management and Staff for the support extended to the Credit Committee in 2012, and the members for the confidence they reposed in the Committee.

ANNUAL REPORT 2013



MINUTES OF THE ANNUAL GENERAL MEETING Cont'd.

There being no questions, a motion for the adoption of the Report was moved by Mr. Erell Crooks and seconded by Ms. Jackie Davis. The motion was unanimously carried.

REPORT OF THE SUPERVISORY COMMITTEE

The motion for the Supervisory Committee Report to be taken as read was moved by Mr. Erell Crooks and seconded by Mr. Paul Williams.

The Chairman, Ms. Herma Walker introduced the members of the Committee. In presenting the Report she highlighted the various activities undertaken by the Committee with the assistance of the Internal Audit team during 2012 and the various reports that were presented to the Board of Directors and Management. She said the Committee conducted reviews in accordance with international auditing standards and best practices and found that there was general adherence to established policies, procedures and internal controls.

She said the Committee found compliance with the related laws and regulations that govern the Credit Union's operations to be adequate. The Committee made recommendations, implementation of which resulted in improvements in the control environment, thus reducing the risk of loss to the organization. She encouraged the members to continue to provide feedback on their member service experience which should be placed in the Suggestion Boxes that were located in the branches, as these comments were addressed with the Management by the Committee.

In closing, Ms Walker thanked the Board, members of Staff and the members for the support extended to the Committee in 2012.

There being no questions, a motion for the adoption of the Report was moved by Mrs. Donna Parchment Brown and seconded by Mr. Donald Blackwood. The motion was unanimously carried.

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

Mrs. Jacqueline Mighty presented the Delegates to JCCUL Report which was taken as read on a motion moved by Ms. Rachael Lafayette and seconded by Ms. Vera Daley.

Mrs. Mighty mentioned that the 71st Annual General Meeting of the Jamaica Co-operative Credit Union League (JCCUL) was held at the Ritz Carlton Hotel from May 24 – 27, 2012, under the theme "Shared Efficiencies through Transformation and Innovation". The details were outlined on pages 53 to 54 of the Annual Report.

QUESTION FROM THE DELEGATES' REPORT

Mr. Michael Burke pointed out that The League recorded decline of 7% in assets for 2011 and wanted to know what percentage of assets of the League was in Radio Jamaica. Mrs. Mighty said she did not have the answer and asked Mr. Glenworth Francis from the League to respond. He advised that it was less than 1%. Mr. Burke stated that the investment was to improve the profit in the Credit Union Movement, but it appeared that this was not being achieved. He asked that the investment arrangements be closely monitored to ensure the objective was being met.

The motion for the adoption of the report was moved by Mr. Garth O'Sullivan and seconded by Ms. Phillippa Edwards. The motion was unanimously carried.

PROPOSAL FOR FIXING THE MAXIMUM LIABILITY TO 31st DECEMBER 2013

In keeping with Rule 70, it was proposed that the Maximum Liability to 31st December, 2013 be set at \$8.4B, being 12 times total capital, including Deferred Shares, which was projected to the end of the year at \$700M.

This was adopted on a motion moved by the Treasurer, Mr. Christopher Robinson and seconded by Mr. Erell Crooks. This was unanimously carried.

ELECTIONS

The Report of the Nominating Committee was taken as read on a motion moved by Mr. Michael Burke and seconded by Mr. Basil Lue.



MINUTES OF THE ANNUAL GENERAL MEETING Cont'd.

The elections were presided over by Mrs. Donna Parchment Brown as per Rule 65(iv). Mrs. Parchment Brown 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 were stated.

The results of the Elections were as follows:

Board of Directors (For 2 years)

- Ms. Carol Anglin
- Mr. Terry Thomas
- Mrs. Debbie-Ann Gordon-Crawford
- Mr. Deryke Smith
- Mr. Trevor Blake
- Mr. Steadman Pitterson

They were unanimously accepted on a motion moved by Mr. Erell Crooks and seconded by Mr. Michael Martin.

Credit Committee (For 2 years)

- Rev. Norman Francis
- Mr. Errol Gregory
- Ms. Catherine Gregory
- Mr. Orville Christie

They were unanimously accepted on a motion moved by Mr. O'Sullivan and seconded by Mrs. Patricia Walker.

Supervisory Committee (For 1 year)

- Ms. Herma Walker
- Mrs. Jacqueline Daley
- Mr. Arnold Breakenridge
- Mr. Clive Medwynter
- Mr. Rohan Townsend
- Mr. Alston Reid
- Ms. Vinnate Hall
- Ms. Phillippa Edwards
- Mrs. Beverley Haylett Smith

They were unanimously accepted on a motion moved by Mr. Basil Lue and seconded by Mr. Erell Crooks.

Delegates to JCCUL (For 1 year)

- Mrs. Jacqueline Mighty
- Mr. Steadman Pitterson

Alternate Delegates

- Mr. Christopher Robinson
- Ms. Carol Anglin

Delegates to Jamaica Fishermen Co-operative Union (For 1 year)

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

Delegates to Jamaica Co-operative Insurance Agency (For 1 year)

- Mr. Christopher Robinson
- Mrs. Jacqueline Mighty

They were unanimously accepted on a motion moved by Mr. Donald Blackwood and seconded by Mr. Lorenzo Barrett

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

The Chairman thanked Mrs. Donna Parchment Brown for conducting the Elections.

ANY OTHER BUSINESS

Customer Service

Mr. Garth O'Sullivan asked that special treatment be given to senior citizens, pregnant women, and mothers with babies to make them comfortable and provide easy access to them while they conduct business with the Credit Union.

There were a number of concerns expressed regarding the delivery of customer service which were addressed by Management and members of Staff. The Chairman, Ms. Anglin on behalf of the Board apologized to the membership and committed to addressing immediately the matter of continually improving customer service delivery and member experience. She implored the members to indicate any area they thought needed improvement by placing their suggestions in the suggestion boxes. She also entreated the members to express appreciation and to commend the Staff when they were satisfied with the service they received.

Product

Mrs. Donna Parchment Brown encouraged the members to become members of the COK Retirement Scheme, which she said was an important way to plan for the future.

ANNUAL REPORT 2013



MINUTES OF THE ANNUAL GENERAL MEETING Cont'd.

Tributes

Mr. Errol Gallimore on behalf of the Department of Co-operatives and Friendly Societies paid tribute to Mr. Joscelyn Jolly for his thirty-one years of invaluable service to COK Sodality and his contributions to the Movement in general. He said Mr. Jolly gave yeoman service which was appreciated by everyone.

Ms. Anglin recognized Mr Jolly for his thirty-one years of sterling service to COK Sodality and the contributions to the Movement nationally, regionally and internationally. She said Mr. Jolly had volunteered his services and had been a tower of strength as he provided guidance to COK Sodality over the years. In recognition of his service the Credit Union presented Mr. Jolly with a plaque.

Mr. Jolly in acknowledgement said it was not easy to annul a relationship that had been in place for thirty-one years, in which time he had built up some valuable relationships. He said he had learnt and grown a lot from his experience with COK Sodality; and will cherish the memories and the relationships that he had built over the period with both past and present volunteers and members. He opined that he was confident the organization had the capacity, the competencies and the resolve at the leadership level and the staff level to be able to lead the organization through the difficult times being experienced. His prayer, hope and wish were that the organization would continue to grow from strength to strength.

Ms. Anglin recognized and thanked also Mrs. Myrna Watts for her nine years of voluntary service to the Supervisory Committee, Mr. Joslyn Richards and Mr. Clifton Williams for their contributions to the Credit Committee. They would be receiving their plaques from the Credit Union at a later date.

Congratulatory Resolutions

Msgr. Michael Lewis presented to the meeting two Congratulatory Resolutions:-

- Mr. Neville Courtney Rhone, O.D. a former General Manager of COK Sodality who was a recipient at the National Awards Ceremony in October 2012 for his contribution to the Credit Union Movement nationally, regionally and internationally.

The motion for the acceptance of the Resolution was moved by Msgr. Michael Lewis and seconded by Mr. Erell Crooks. The motion was unanimously carried.

- Bishop Elect Burchell Alexander McPherson, member of the COK Sodality Nominating Committee, who was appointed as Roman Catholic Bishop to the Diocese of Montego Bay in Jamaica.

The motion for the acceptance of the Resolution was moved by Msgr. Michael Lewis and seconded by Mr. Michael Burke. The motion was unanimously carried.

ACKNOWLEDGEMENT

Ms. Anglin thanked fellow co-operators for attending and participating in the 46th 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 noted that Annual General Meetings were very important for the functioning of any organization and was the place where the philosophies, tenets and core values were fully exercised, tested and re-inforced.

TERMINATION

The meeting was terminated at 5:35pm on a motion moved by Mr. Garth O'Sullivan and seconded by Mr Michael Burke.



Referral from the Minutes of the 46th Annual General Meeting

Held on May 8, 2013

| PAGE NO | ACTION TO BE TAKEN | RESPONSE |
|---------|--|---|
| 3-4 | <p>Delinquency</p> <p>Mr. Garth O'Sullivan pointed out the seriousness of delinquent accounts on the operations of the credit union. He felt this was impacting the delinquency and the matter needed to be addressed urgently; and should thus commence at the loan application stage. Mr. Michael Martin commented that it appeared that a problem exists based on the two different perspectives expressed and as such the matter warrants a thorough investigation by the Delinquency Management Committee."</p> | <p>The matter of delinquency is one of the areas that management has been very focused on addressing over the past year. To this end, we have revised and adopted both the Credit and Debt Management Policies to tighten the credit assessment process and to be able to treat with delinquent accounts more timely. In addition, with the advent of the Credit Bureau, this is also another avenue which assists us in assessing the applicants and to verify information provided.</p> |
| 14 | <p>Customer Service</p> <p>There were a number of concerns expressed regarding the delivery of customer service which were addressed by Management and members of Staff. The Chairman, Ms. Anglin on behalf of the Board apologized to the membership and committed to addressing immediately the matter of continually improving customer service delivery and member experience.</p> | <p>The organization has taken a more strategic approach to its Customer Service delivery across the organization to include, members meetings, surveys, staff development & training – we now close early on Wednesday's to facilitate this -, upgrade of the telephone system and call centre services, upgrade of our website, the introduction of a COK Mobile App, additional ATM at the Winchester Business Centre, enhancement of our work processes to assist in a faster turnaround of activities, more frequent communication, through SMS, email, Facebook.</p> |

ANNUAL REPORT 2013



THE BOARD OF DIRECTORS' REPORT



Carol Anglin (Ms.)
PRESIDENT



Monsignor Michael Lewis
VICE PRESIDENT



Steadman Pitterson (Mr.)
TREASURER



Christopher Robinson (Mr.)
SECRETARY

OVERVIEW

The Board of Directors of COK Sodality Co-operative Credit Union Limited presents, to you the members, the Annual Report for the year 2013.

The Credit Union continued the implementation of its five year strategic plan that, among other things, 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, brought us to the mid-point of the strategic plan, wherein the institution should be intensifying its efforts to attain top and bottom-line growth. However, externalities in the wider economy created significant challenges that adversely affected our performance. The operational performance for 2013 was better than the preceding year, particularly in the area of new product development and delinquency management, but areas for improvement remain.

The Credit Union made a surplus of \$5.1M for 2013, this after writing-off the loss on investment income of \$46.4M, as a direct result of the National Debt Exchange (NDX) on investments it held in Government bonds.

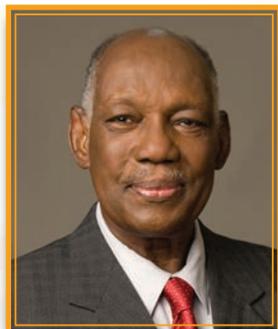
We continued a multi-pronged approach to realise improved performance, including staff rationalisation and capacity building; effective cost management; operating efficiency; investment management to improve returns; growth in creditworthy loans; and delinquency management.

By the end of 2013, we recorded year-on-year growth in

- Total Assets of approximately \$15.6M, moving from \$7.1B to \$7.12B;
- Gross Loans by 11.5% or \$474.9M, moving from \$4.2B to \$4.6B;
- Net savings by approximately \$40.0M.

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.

Our liquidity remained healthy in 2013, surpassing the minimum recommended by the PEARLS standard. This is a very important indicator, as it reflects a strong potential to fuel growth in terms of loans and income generation for 2014.



Albert Morris (Mr.)
HONORARY DIRECTOR



Trevor Blake (Mr.)
DIRECTOR



Debbie-Ann Gordon-Crawford (Mrs.)
DIRECTOR



Al Chambers (Mr.)
DIRECTOR



BOARD OF DIRECTORS' REPORT Cont'd.



Karen Asher Osbourne (Dr.)
ASST. SECRETARY



Deryke Smith (Mr.)
ASST. TREASURER



Winston Butler (Mr.)
DIRECTOR



Marjorie Shaw (Ms)
DIRECTOR

Delinquency moved favourably over the prior year from 10.55% to 9.83% in a year where many of our members had major challenges servicing their obligations on a timely basis. The delinquent portfolio, however, grew by approximately \$41.9M or 9%. Provisioning for Bad Debt also had a favourable out-turn reducing year-on-year by approximately \$50.7M.

Income from sale of collateral held against charged-off or delinquent loans achieved 73% of the target for 2013 and 33% more than the amount achieved in 2012.

The bond market remained inactive in 2013, an indication that the economy has not yet rebounded, and as a result the projected investment gains of \$24M from trading government bonds were not realised.

Operating costs for the year declined by \$10.5M or 1% over that of the previous year, reflecting the outcome of diligent execution of the cost management initiatives, despite the inflationary pressures on all cost drivers.

The Credit Union continued in earnest to focus its efforts on growing the business. These efforts realised the disbursements of loans valuing approximately \$2.7B, achieving 92% of the target for the year. This achievement was due in part to the active promotions during the year on motor vehicle and debt consolidation loans. These initiatives resulted in the organization growing the loan portfolio to \$4.6B at the end of 2013 exceeding the target set for the year by \$28.2M or 1%.

As we strive to deliver improved performance, in the short to medium term, the Credit Union will continue to balance aggressively growing the business; prudently managing resources and capabilities for optimal performance; and implement appropriate monitoring and control mechanisms.

The remaining sections elaborate on the critical factors for the Credit Union's performance in 2013; and conclude with a brief overview on the road ahead for the institution.

OPERATIONS

Marketing, Member Relations and Business Development

We are aware that our membership has been negatively impacted by the broader macroeconomic structural adjustments. We continue to keep our members' well-being the central focus of our product development, operating systems and marketing.

These include, but were not limited to, new and revamped products introduced to the market, the rates we offered on products and services, member-care, as well as staff development. A number of special initiatives were executed during the review period, for example:

- staff reorganisation and automation of processes, service delivery and member access points;
- the launch of the Champion Saver promotion and the Debt Consolidation products;
- expansion of the Remittance Partners resulting in increased service points to facilitate remittance transactions;



BOARD OF DIRECTORS' REPORT Cont'd.

- 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;
- upgrade of our telecommunications system to our membership.

Table 1 summarizes COK Sodality's key operating statistics for the year 2013. A breakout of the performance of our wide range of products and services is provided in Appendix 1.

Table 1: Key Operating Statistics

| Categories | Balance at 31/12/2011 | Balance at 31/12/2012 | Balance at 31/12/2013 | Change (\$) 2013 | Year on Year (%) 2013/2012 |
|---|-----------------------|-----------------------|-----------------------|------------------|----------------------------|
| Savings (Deposits and Voluntary Shares) | \$6.17B | \$6.21B | \$6.25B | \$40M | 2% |
| Investments | \$2.77B | \$2.29B | \$1.85B | (\$440M) | -19% |
| Loan repayments | \$2.25B | \$2.38B | \$2.19B | (\$190M) | -8% |
| Loans Portfolio | \$3.45B | \$4.16B | \$4.63B | \$475M | 11% |
| Loan Disbursements | \$2.15B | \$2.89B | \$2.66B | (\$230M) | -8% |
| Membership | 246,489 | 252,007 | 257,618 | 5,611 | 2% |

The use of multiple communications channels such as e-mail, text messages, Facebook, the internet and video screens in our branches was intensified to provide vital information and to maintain contact with members.

We also geographically expanded our members' meetings across the island, and increased the number of meetings to four (4) during the year.

These were done in an effort to share with you and hear from you how best to serve you.

These meetings were held in Kingston, Mandeville and Montego Bay and were well supported and received by our members.

In 2014, we have added the COK Mobile App as another means of reaching out and making our service more convenient to you our members. We kindly ask that you update your contact information with us to ensure that we can contact you readily as we seek to share what we are doing for you.

The accomplishments of the key drivers in the Credit Union's operations are dependent on the team working together and measurement of results in order to deliver on our turnaround.

Improving Service to Members and Communications

Shortly after the 2013 Annual General Meeting your Board, having noted all the concerns raised by members, drafted a comprehensive customer service framework for implementation on a phased basis throughout the organization. This framework was intricately tied to our member care delivery programme and intended to improve the quality of engagement of the Credit Union with its stakeholders.

Social and Co-operative Responsibility

We demonstrated our continued commitment to social and co-operative responsibility through various outreach efforts across the nation and especially 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 and sponsoring activities and events in the areas of community development, sports and agriculture;
- sharing essential information on wellness and healthy living via electronic and print media for example, publishing a weekly column in the Jamaica Observer newspaper, regular promotional spots and interviews on Nationwide Radio, and partnering with the Diabetic Association of Jamaica in educating and informing on health and wellness issues;



BOARD OF DIRECTORS' REPORT Cont'd.

- 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 2013, we provided twenty (20) scholarships amounting to \$565,000 to our members' children attending educational institutions. Our Education Committee is responsible for the management of this programme and awarded the Bertie Morris Scholarship, Carter Carter Scholarship and Trevor Blake Scholarship.

PRUDENTIAL MEASURES

1. Strengthening Capital Base

In 2013, 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.

During the reporting period, Permanent Shares of \$18.7M was collected which represented contributions from new members, and the continuous drive to improve member compliance. As at December 2013 members' contributions to Permanent Shares was approximately \$380.6M.

Surplus and Distribution

The Credit Union made a surplus of \$5.1M for the year 2013. However, due to the accumulated losses as at December 31, 2013 all of the surplus will be applied to reduce the accumulated losses as per the instructions from the Registrar of the Department of Co-operatives and Friendly Societies (The Registrar).

Your 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.

2. Delinquent Loans

The Board through its Debt Management Committee (DMC) and Management via the Debt Management Unit (DMU) continue to provide oversight and monitoring of this very critical area in our organization's operations. The delinquency management philosophy balanced the need to service our members, the harsh economic effects that they increasingly endure and the imperative to mitigate risks to the organization. Various approaches to manage the delinquency concern were used during the review period and yielded satisfactory results. These included:

- Decline in the effective duration of delinquency, particularly in the 90 days and over category, translated into:
 - a reduction in the magnitude of provisions for the reporting period;
 - the number of delinquent accounts from just over 1900 in 2012 to approximately 1690 in 2013, with principal arrears totalling \$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 or 34% more than that collected in the previous year.

The team continues to work tirelessly to meet the 5% PEARLS standard, whilst using innovative solutions to service our member's needs.

Charged-off Accounts

A provision of \$53.7M (accounts with arrears in excess of 365 days are required to have 100% provision of the principal value) was made in the accounts, representing 33% of the total \$163.2M of arrears. In keeping with our Rules, (Rule 38 (i) 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 these collateral. However, until the cash flows back into the Credit Union from the sale of these collateral, these associated loans cease to earn interest income for the organisation.

ANNUAL REPORT 2013



BOARD OF DIRECTORS' REPORT Cont'd.

We implore you to support the Debt Management thrust of our Credit Union as the benefits will redound to all of us now and in the future.

Notable Legal Issue

Included in the Receivables is an amount of \$58.2 Million relating to the remaining balance from a Cambio Trading Partner for its default on a transaction. Through proactive out of court actions monies were recovered in 2012. Efforts to recover the outstanding amounts are diligently being pursued and are at an advance 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. These were done to make our Credit Union nimbler, 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.

Our Credit Union has continued the practice of providing opportunities for ongoing assessment, training and development for all our staff and volunteers

Staff

There were 224 persons employed to the organization at the end of December 2013 broken down as follows:

| | |
|----------------------------|-----|
| Permanent Staff | 114 |
| Contracted/Temporary Staff | 105 |
| Heart Trainees | 5 |

Volunteers

After the last Annual General Meeting held in May 2013, 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.

During the year, we saw a number of resignations, employment and appointments. Among them were the following:

Management

Lorraine Green-DaCosta, Marketing Manager, demitted office and was replaced by Mrs. Claudine Scott. Ms. Linda Miller, Chief Operations Officer and Ms. Roshene Betton, Legal Counsel, joined the organization

Volunteers

Board of Directors: Mr Terry Thomas, due to change in his personal circumstances, indicated that he was unable to serve his term as a director and Mr Winston Butler, has also indicated that he is unable to continue to serve.

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

Mrs. Marjorie Shaw replaced Mr. Terry Thomas

WHOLLY-OWNED SUBSIDIARY AND ASSOCIATE

COK Remittance Services Ltd. (COKRS)

The COK Remittance Services Ltd. (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. This multifaceted agency model allowed the company to reduce its year over year losses, increase transactions volume, and widen delivery channels across the island and country states. The performance trajectory of COKRS is encouraging as the company reduced its losses by 46% (\$0.9M loss in 2013) when compared to 2012.



BOARD OF DIRECTORS' REPORT Cont'd.

MoneyMasters Limited (MML)

MoneyMasters Limited (MML) is an associate of COK Sodality as a result of the Credit Union initially acquiring 25% of the company's ordinary shares in August 2010. The company earned the Credit Union a net return to date of approximately \$0.7M. This amount represents a return on investment of approximately 3% and is the Credit Union's portion of the share of profits/losses made in the last three years.

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

CORPORATE GOVERNANCE

The Board of Directors knowing the importance of corporate governance practices in the conduct and operations of the organization continued throughout the year to review the operations and subsidiary activities of the Credit Union through the various committees of the Board. These committees were Audit Risk & Compliance; Finance & Policy; Asset Liability Management; Debt Management; Information Communication Technology and Performance Management & Compensation and 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 organisation.

During the period under review, the Board of Directors continued to work with Management in improving compliance issues including strengthening the compliance infrastructure and processes of the organization. However, the level of compliance relating to member due diligence (Know Your Member) is still not at its expected levels despite our efforts for compliance. 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 and, therefore, be compliant with our regulators. The Know Your Member due diligence is not something that we do once and for all, it is an on-going process as the Board and the Management work to ensure safety and soundness at all levels within the organization.

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 having arrived at agreed positions on the outstanding issues.

Credit Bureau

In April 2013, your Board approved the Credit Union's participation as a Credit Information Provider to the two currently licenced Credit Bureaus operating in Jamaica. CreditInfo Jamaica Ltd. and CRIF NM Credit Assure have provided improved analytics to assess the repayment capabilities of prospective and existing members; its delinquency management and to inform everyday decision-making regarding member care and needs.

THE WAY FORWARD

We continue to steadfastly implement the strategic plan that has turnaround and sustainable positive performance as its main goals. 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 is to further consolidate these performance gains to realise the capital base targets for 2016.

From all indicators, the road ahead will require adroit stewardship to attain the Credit Union's objectives. The Credit Union anticipates that the wider economy will continue to pose significant challenges for its members in 2014. However, we continue to assess the leading and lagging macroeconomic indicators, industry trends, and feedback from members to optimally execute our immediate-term operating plan, while focussing on the medium to long-term strategic objectives for the institution. This mix of priorities presents significant challenges to our Credit Union and we implore you, our members, to renew your commitment to the institution by supporting the many initiatives that are geared to meeting your needs and assuring the long-term viability of the Credit Union.

ANNUAL REPORT 2013



BOARD OF DIRECTORS' REPORT Cont'd.

The Board of Directors seek to continue to improve our organization's performance and secure its continued relevance and value in the increasingly competitive and harsh environment that we must face. We will do so by not only being compliant with regulations but also by honouring our values of being safe, caring, knowledgeable and accessible.

In 2014, we will grow surplus by continued growth of our loan portfolio, 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.

In summary, therefore, COK Sodality Co-operative Credit Union Limited will not be daunted by the challenges facing us as a nation, but instead through collaboration and creativity drive financial viability while remaining focussed in the redefining of our approaches to sustainable growth.

APPRECIATION

We wish to recognise and 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 conducting its affairs over the past year.

To you, our members, we thank you for the confidence that you continue to repose in us as we strive to serve this great organisation.

For and on behalf of the Board of Directors,

Carol E. Anglin
President

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

Now Offering FREE WIFI
Connection in all Branches

Welcome to **Flow Unplugged** WIFI

COK MOBILE

1. GO TO YOUR APP STORE
2. SEARCH FOR "COK"
3. INSTALL THE APP

Download the COK App today. Features and benefits include:

- ✓ Links with website and Facebook page and online banking portal.
- ✓ Provide a "one stop" for important information.
- ✓ Makes life easier

Enjoy free Wi-fi (Flow Unplugged-COK) when you visit any of our COK branches.

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

BBM: 270A55E8 OR 960-I-CAN (960-4226)
www.cokcu.com, email: contactus@cokcu.com
like us on facebook search coksodality co-operative credit union

COK Super SAVINGS Promotion

Time to Save!

| | |
|--|--|
| 6.1% Interest Rate on Golden Harvest Savings plan. - Free Insurance Coverage on a savings target up to \$4.0 million. - Minimum monthly contribution of \$1,000. - Saving period from 1-5 Years. | 5.5% on Fixed Deposit Accounts. - COK Fixed Deposit 180 and 365 day plans. - No penalty with additions to plan. |
|--|--|

Use your savings in either plan as collateral for a COK loan and access special interest rates.



BBM: 270A55E8 OR 960-I-CAN (960-4226)
www.cokcu.com, email: contactus@cokcu.com



BOARD OF DIRECTORS' REPORT Cont'd.

Appendix I

OUR PRODUCTS & SERVICES

Our savings products include:

1. PARTNER PLAN

| Partner Plan | 2011 | 2012 | 2013 | Change in 2013 |
|-----------------|----------|----------|----------|----------------|
| Members in Plan | 2,463 | 2,633 | 2,547 | -3% |
| Value | \$81.99M | \$85.44M | \$86.85M | 2% |

In 2013, more of the members had matured Partner Plans in the month of December when compared to 2012. This impacted the number of members in the plan at the end of the year. The Partner Plan is very popular with our members and continues to record a steady growth since its introduction.

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 |

The Partner Plan is largely used by our members to fulfil their short-term obligations while receiving a bonus on the amount contributed for their consistency in saving.

2. WEALTH MAXIMIZER

| Wealth Maximizer | 2011 | 2012 | 2013 | Change in 2013 |
|-------------------------|-------------|-------------|-------------|-----------------------|
| No. of Members | 185 | 172 | 158 | -8% |
| Value | \$77.8M | \$64.98M | \$60.78M | -6% |

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 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 | 2011 | 2012 | 2013 | Change in 2013 |
|----------------------|-------------|-------------|-------------|-----------------------|
| No. of Members | 12,882 | 12,255 | 11,963 | -2% |
| Value | \$2.8B | \$2.76B | \$2.68B | -3% |

ANNUAL REPORT 2013



BOARD OF DIRECTORS' REPORT Cont'd.

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

| Pension Plan | 2011 | 2012 | 2013 | Change in 2013 |
|---------------------|-------------|-------------|-------------|-----------------------|
| No. of Members | 3,183 | 4,084 | 4,520 | 11% |
| Value | \$98.2M | \$141.5M | \$185.6M | 31% |

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 | Change in 2013 |
|-----------------------|-------------|-------------|-------------|-----------------------|
| New Members | 1,919 | 2,554 | 1,911 | -25% |
| Total Members | 3,339 | 4,085 | 3,351 | -18% |
| Value | \$300.7M | \$402.1M | \$411.7M | 2% |

This product offers an investment and savings plan with a specific goal at an attractive interest rate. Members up to age **69 years** may save 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.

Currently, we offer the following services to satisfy our members' needs:

1. FAMILY INDEMNITY PLAN (FIP)

| Family Indemnity Plan | 2011 | 2012 | 2013 | Change in 2013 |
|------------------------------|-------------|-------------|-------------|-----------------------|
| Members | 6069 | 6406 | 6801 | 6% |

FIP carries with it an outstanding feature that allows up to six (6) family members to be insured for the same premium and now offers six (6) insurance plans for our members to choose from. This is a must have for every family. The latest plan, Plan F, was introduced in February 2014, and pays \$650,000 on the death of each member on the plan, for a premium of \$3,432.00 per month.

2. STANDING ORDER PAYMENTS

| Standing Order Payments | 2011 | 2012 | 2013 | Change in 2013 |
|--------------------------------|-------------|-------------|-------------|-----------------------|
| Transactions | 5,277 | 5,870 | 5,786 | -1% |
| Institutions Paid | 14 | 14 | 15 | 7% |



BOARD OF DIRECTORS' REPORT Cont'd.

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

| Cambio | 2011 | 2012 | 2013 | Change in 2013 |
|---------------|-------------|-------------|-------------|-----------------------|
| Amount traded | US\$57.0M | US\$35.6M | US\$23.89M | -33% |
| Earnings | J\$6.9 M | J\$8.25M | J\$12.15M | 47% |

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 current Branch locations in Cross Roads, Half Way Tree, Portmore, Mandeville and Montego Bay.

4. COK REMITTANCE SERVICES

| Remittance (Sub Agent) | 2011 | 2012 | 2013 | Change in 2013 |
|-------------------------------|-------------|-------------|-------------|-----------------------|
| No. of Transfers | 39,832 | 29,940 | 33,664 | 12% |
| Value | \$682.6M | \$542.3M | \$722.2M | 33% |

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 and Money Transfer, with an agreement to be signed in 2014.

5. COK VISA CREDIT CARD

| COK Visa Credit Card | 2011 | 2012 | 2013 | Change in 2013 |
|-----------------------------|-------------|-------------|-------------|-----------------------|
| Cardholders | 977 | 829 | 684 | -17% |
| Portfolio Value | \$33.1M | \$27.9M | \$25.5M | -9% |
| Earnings | \$20.6 M | \$18.51M | \$12.22M | -34% |

COK Sodality in partnership with RBC Royal Bank issues a local credit card. The current interest rate of 39% is among the lowest in the industry. This is one of the products that is being revamped in 2014 as we seek to attract more of our members to the offering.

ANNUAL REPORT 2013



BOARD OF DIRECTORS' REPORT Cont'd.

Appendix II

ATTENDANCE AT BOARD OF DIRECTORS MEETING

| NAME | POSITION | SCHEDULED MEETINGS | MEETINGS ATTENDED | MEETINGS EXCUSED |
|-------------------------------|---------------------|--------------------|-------------------|------------------|
| Ms. Carol Anglin | President | 10 | 10 | 0 |
| Monsignor Michael Lewis | Vice President | 10 | 8 | 2 |
| Mrs. 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 | 6 | 4 |
| Mr. Trevor Blake | Director | 10 | 7 | 3 |
| Mr. Al Chambers | Director | 10 | 7 | 3 |
| Ms. Marjorie Shaw | Director | 2 | 2 | 0 |

Find COK Sodality in Google App Store

COK MOBILE

1. GO TO YOUR APP STORE
2. SEARCH FOR "COK"
3. INSTALL THE APP

Available on the App Store | GET IT ON Google play





COK
**CHRISTMAS
IN NOVEMBER**

Christmas
is coming early this year!

Just save up until November 30th in your
CHRISTMAS IN NOVEMBER ACCOUNT
and you can enjoy your Christmas earlier this year!

| Monthly Prizes: | Grand Prizes: |
|--|--|
| <p>Every month 20 of the highest savers for that month will receive \$500 in phone credit.</p> <p>Top 10 savers in each savings band will receive \$500 in LIME or Digicel phone credit.</p> | <p>Savings Band A:</p> <ul style="list-style-type: none"> • Top 3 Savers with a minimum of \$33,000 at the end of the period will receive \$25,000 in grocery vouchers to use at a supermarket of your choice. <p>Savings Band B:</p> <ul style="list-style-type: none"> • Top 3 Savers of a minimum \$60,000 have a chance of winning either a 60" Smart TV, Inverter Fridge or a Living Room Suite from SINGER. <p>Highest saver: Sony 60" LED Smart TV 2nd Highest saver: 3pc Living Room Suite 3rd Highest saver: Samsung Inverter Refrigerator</p> |

ANNUAL REPORT 2013



TREASURER'S REPORT

OVERVIEW

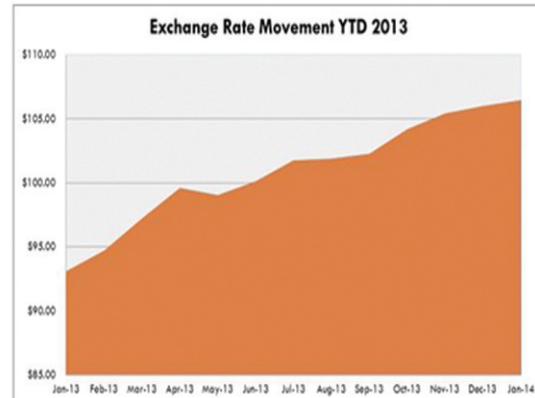
The Jamaican economy showed marginal signs of growth in the September and December quarters of the 2013 fiscal year. The performance of the economy was influenced by an improvement in international economic conditions, which has facilitated modest increases in tourism and remittance inflows. Notwithstanding the improvement in remittance inflows to Jamaica, growth in domestic demand remained weak in a context of continued high unemployment and a fall in real wages due to high inflation.

These growth signals were post the National Debt Exchange (NDX), which was Jamaica's second debt-exchange programme that was announced and implemented by the Jamaican Government in February 2013. The programme was a major feature of the Government's economic strategy that was used to satisfy the requirements for the new International Monetary Fund (IMF) agreement that was eventually signed in May 2013.

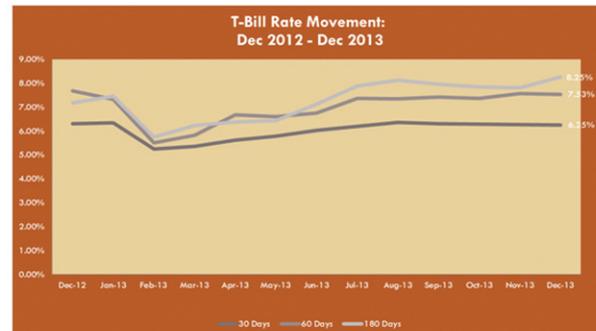
Credit Union

The results of the macro-economic climate are being characterised by:

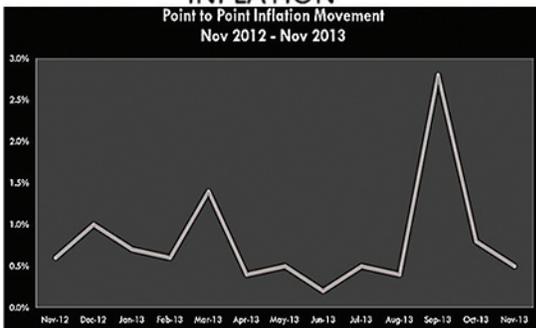
EXCHANGE RATE



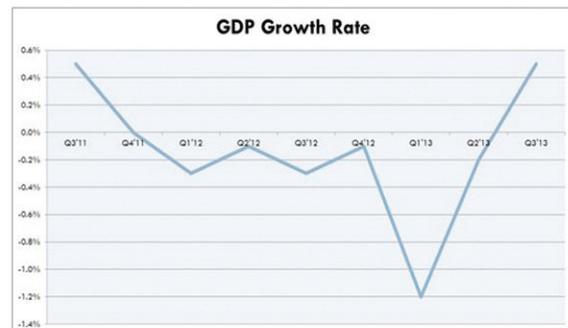
INTEREST RATES



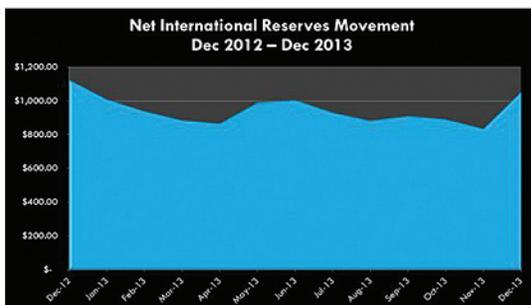
INFLATION



GROWTH DOMESTIC PRODUCT



NET INTERNATIONAL RESERVE



TREASURER'S REPORT

Increased Inflation - Headline inflation for December 2013 was 0.6 per cent, which was below the average rate of 0.8 per cent for December of the last five years. As at December 2013, calendar year inflation was 9.7 per cent, relative to the 8.0 per cent for 2012.

Movements in Level of NIR – The NIR stock at end-December 2013 amounted to US\$1,047.8 million, US\$137.6 million higher than the quarter ending September 2013 and was US\$220.0 million above the target set under the International Monetary Fund Facility. The Bank's gross reserves at the end of December 2013 amounted to US\$1,822.6 million, which represented approximately 12.6 weeks of projected imports for goods and services.

Instability in the USD: JMD exchange rate: Movement in the local currency to the United States Dollar over the 12 month period January to December reflected a steady depreciation of the Jamaican dollar of approximately 13%.

Increasing interest rates: Interest rates on the benchmark Six-Month Treasury Bills increased from 7.18% in December 2012, to a rate of 8.25% at the end of December 2013.

Positive Growth: Real GDP recorded growth for the July to September 2013 quarter of 0.60% and 1.8% for the October to December 2013 quarter.

The afore-mentioned macro-economic conditions have continued to contribute to a stagnant bond market, increased unemployment, steady depreciation of the Jamaican dollars against its main trading partners, and increased inflation, which have resulted in a decline in disposable income.

The generally harsh economic conditions, the negative impact of the NDX on our investment portfolio and the high inflation all affected the Credit Union's income. The NDX resulted in reduction in revenues, lowering of interest rates on savings and liquidity issues. The impact to the Credit Union was a write off of premiums on Investment of approximately \$46 Million, extended tenor on Government of Jamaica Bond holdings and lowering of interest rates paid on deposits to our members.

Despite all the negatives, our Credit Union pulled out all the stops and recorded a net surplus of \$ 5.1M. This represents an improvement of 104% over that of last year, when the Credit Union reported a net loss of \$126.0M.

The Credit Union continues to be challenged by loan defaults, as well as, lower than planned levels of savings. In addition, our members have been impacted by lower interest returns on their savings. On the other hand, post NDX has also resulted in a significant reduction in interest income yield on loans for the Credit Union.

1. Performance

The Credit Union recorded a net surplus of \$5.1M for 2013. This represents an improvement of 104% when compared to 2012 when the Credit Union recorded a net loss of \$126.0M. This performance must be viewed in the context of the National Debt Exchange (NDX), which impacted negatively to the extent of J\$46M on our investment income; and the other challenges in the macro economy which resulted in an increase in the industry's delinquency levels, tight liquidity and a stagnant bond market.

The surplus was largely driven by:

- Growth in the loan portfolio of approximately \$475M or 12%.
- Growth in interest income on loans by approximately \$84M or 15%
- Reduction in the level of bad debt provision
- Containment of costs to 1% less than that of the previous year

The loan portfolio ended the year at \$4.63B or \$28.1M more than had been budgeted. To grow the loan portfolio, the Credit Union's "Bread and Butter", a Debt Consolidation Loan product was offered during the second half of 2013. This product contributed approximately \$150M of the \$475M growth in the loan portfolio. The response from the membership and potential members to our loan offerings continues to be extremely encouraging and sends a clear message of confidence in the viability of our Credit Union. As a result the Credit Union was able to have a good "jump off" position in respect to interest income for the 2014 budget year.

ANNUAL REPORT 2013



TREASURER'S REPORT

Our results for 2013 was, as in 2012, impacted by the inability to trade Government of Jamaica (GOJ) bonds held by the Credit Union, and as such we were unable to realise the budgeted gains of \$24M. In addition, we fell short of the target for Debt Recovery, which is direct income from the recovery of charged-off loans, by approximately \$17M.

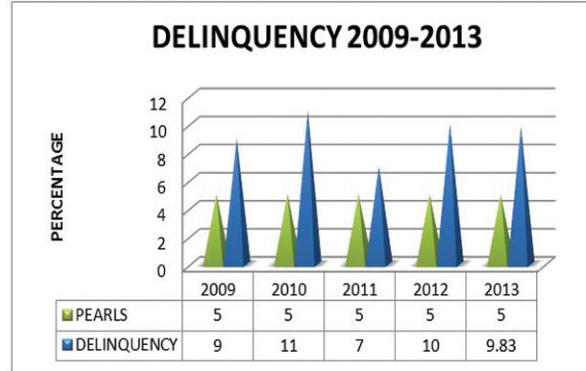
One of our key initiative in 2013 was the containment of costs, and so during the year, several initiatives were implemented to reduce expenses, and as a result, despite a 9.7% inflation in 2013, the Credit Union managed to reduce its operating expense when compared to 2012.

2. Debt Management Plan

At the end of December 2013 the delinquency rate improved over the previous year, closing the year at 9.83% (2012:10.55%). Additionally, the Debt Management Unit recovered approximately \$45M (2012:\$33.5M) of the planned \$62M (2012:\$95M) through aggressively pursuing delinquent members and greatly improving the turnover of assets.

Improvements continue to be seen in this area, however there is still much work to be done to reverse the negative trends of prior years. We have employed a more proactive approach 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. Importantly, we continue to work with many of our members to consolidate and re-structure their debts in an effort to make the repayments more affordable in assisting in keeping their accounts current. The Credit Union continues to review and put measures in place to improve efficiencies and controls throughout the organization.

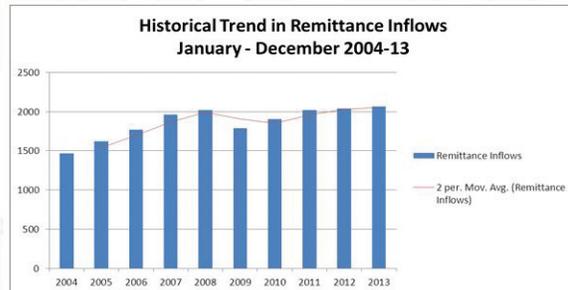
In 2014, the Credit Union will continue to employ an aggressive and professional posture with our collections, including legal action through the small claims court, while expeditiously seeking to improve the asset recovery process. We recognize that as a financial institution whose primary business is lending, bad debt provisions are part of the inherent risk, nevertheless we will ensure that our processes are in line with best practices and that efficiency is engrained in our way of life to ensure that bad debts are kept to a minimum.



3. Remittance

COK Remittance Services is in its fifth year of operations, for the year 2013 reported a loss of approximately \$0.859M which compares favorably to that of 2012 when we reported a net loss of \$1.7M. The Remittance company continues to make good progress despite the continued global economic conditions especially in the United States. The remittance inflows to Jamaica showed some congruence with trends in earnings in key sectors in which Jamaican workers are employed in the United States. The total number of transactions paid out by COK Remittance Services increased by 22% when compared to 2012. The remittance company is in the process of adding another international partner, this agreement will be finalized in 2014.

Income for 2013 increased by approximately 96%, this was mainly attributable to the gradual appreciation of the USD. Reports from the Bank of Jamaica indicated that total remittance inflows were US\$2,064.9 million, an increase of approximately US\$22.5 million or 1.1 per cent for the year 2013. These inflows were above the average of US\$1,955.7 million for the previous five corresponding years. Notably, remittance inflows in 2013 were marginally above the corresponding pre-crisis out-turn for 2008.



Source: Bank of Jamaica



TREASURER'S REPORT

The table below summarizes the results of the Credit Union's operations for 2013 as compared to 2012.

ANALYSIS OF CHANGE IN INCOME & EXPENDITURE 2013 VS. 2012

| | 2013 | 2012 | | |
|---|-----------------|------------------|----------------|---------------|
| | \$'000 | \$'000 | \$'000 | |
| Interest Income: | | | | |
| Loans to members | 648,885 | 564,577 | 84,308 | 14.9% |
| Investments and deposits | 145,622 | 196,507 | (50,885) | -25.9% |
| Total Interest Income | 794,507 | 761,084 | 33,423 | 4.4% |
| Interest Expense: | | | | |
| Members' Deposits | 160,211 | 196,241 | (36,030) | -18.4% |
| External Credits | 50,679 | 14,259 | 36,420 | 255.4% |
| Other Financial Costs | 26,790 | 23,179 | 3,611 | 15.6% |
| Total Interest Expense | 237,680 | 233,679 | 4,001 | 1.7% |
| Net Interest Income | 556,827 | 527,405 | 29,422 | 5.6% |
| Non-Interest Income | | | | |
| Fees | 164,125 | 129,745 | 34,380 | 26.5% |
| Dividends on Equity Investments | 419 | 1,552 | (1,133) | -73.0% |
| Other Income | 129,351 | 120,134 | 9,217 | 7.7% |
| Total non-interest Income | 293,895 | 251,431 | 42,464 | 16.9% |
| Gross Margin before provisions and expenses | 850,722 | 778,836 | 71,886 | 9.2% |
| Less Operating Expenses | (793,845) | (804,325) | 10,480 | 1.3% |
| Surplus for the year before provision | 56,877 | (25,489) | 82,366 | 323.1% |
| Provisions | | | | |
| Allowance for loan losses | (40,667) | (91,342) | 50,657 | 55.5% |
| Allowance for interest losses | 1,065 | 9,875 | (8,810) | -89.2% |
| Allowance for losses on other assets | (11,761) | (19,763) | 8,002 | 40.5% |
| Total Provision | (51,363) | (101,212) | 49,849 | -49.3% |
| Surplus/(Loss) for the year before Associate's profit / (loss) | 5,514 | (126,701) | 132,215 | 104.4% |
| Add share of profit of associate | (323) | 664 | (987) | -148.6% |
| Net Income/(Loss) for the year | 5,191 | (126,037) | 131,228 | 104.1% |

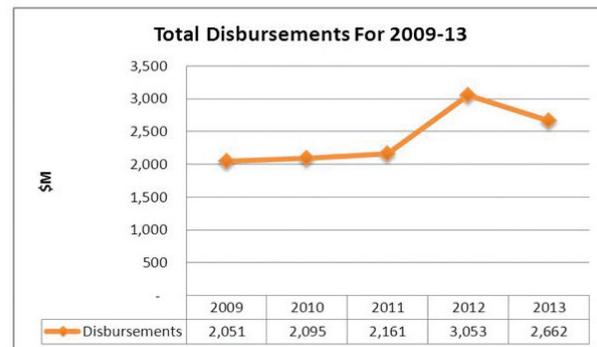
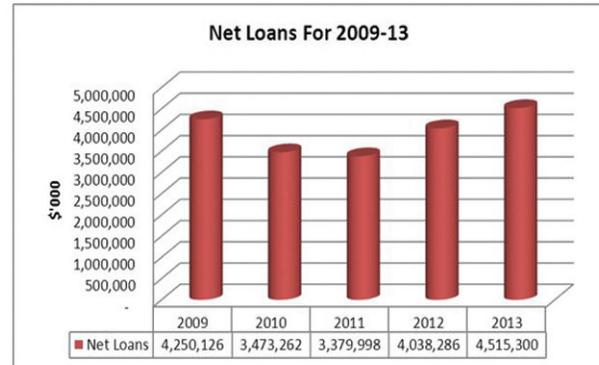
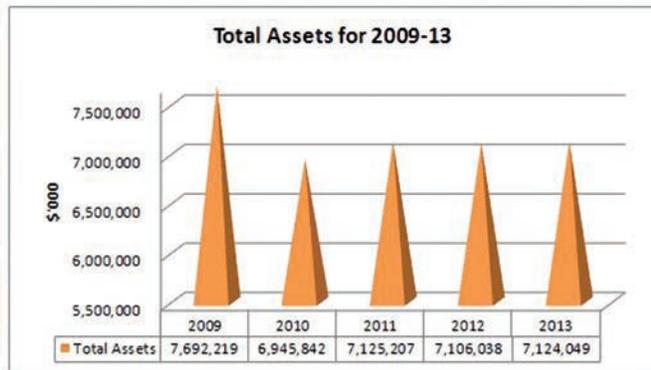
ANNUAL REPORT 2013



TREASURER'S REPORT

Growth

The Credit Union's balance sheet grew by approximately \$16M in 2013. The strategic thrust which started in 2012 to grow our loan portfolio continued in 2013. The growth in our balance sheet fell short of target primarily due to lower than expected savings inflows. This, however, continues to be the focus into 2014, so that the Credit Union will be able to better fund the demands for loans.



Loans

Gross loans increased significantly year over year by \$475M or 11.5% to \$4.6B, primarily due to several loan promotions offered in 2013. Disbursements for 2013 were \$2.662B, and while less than the previous year, represented the second highest disbursement to date. The competitive and declining interest rate environment continued during 2013 and as such, the Credit Union had to reduce loan rates which resulted in reduced yields.

We continued to streamline our credit administration processes during the year, as well as to review our Credit policies in an effort to improve the efficiency and quality of our assessment and hence the overall quality of loans in our portfolio.

The Credit Union has reversed the trend of gradual decline in the net loans experienced during the periods 2007 - 2011. In 2013 gross loans increased by \$475M or 11.5% compared to a gross loans increase of \$649M for 2012. This growth trend is attributable to the strategy implemented in 2012 and which continued during 2013 to change the loan portfolio mix to include longer tenors secured mortgage type facilities.

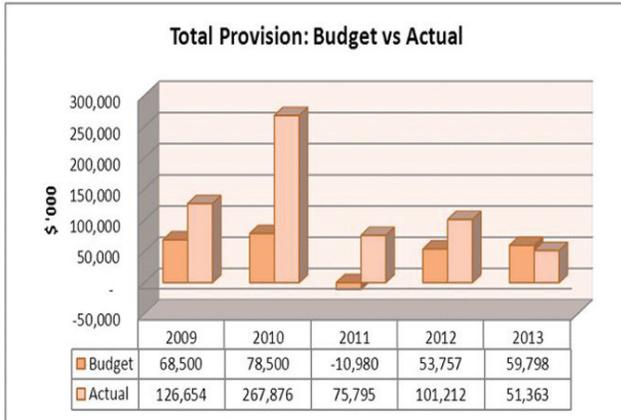
Provisions

Despite the obvious challenges being faced in the economy, and the increasing loan portfolio, the Credit Union ended the year with a bad debt provision of approximately \$51M compared to \$101M in the previous year. This reduction was attributable to the laser focused approach to delinquency management employed in 2013. The Credit Union was able to attain a 9.83% delinquency rate, down from 10.55% in 2012.

While our eyes are set on ultimately achieving a target of 5% delinquency or less, we are aware that this will not be achieved in the short term. However, with consistency and focus from the entire Debt Management Team and increased sensitivity of the COK Sodality family towards delinquency, we intend to reduce our position to approximately 7% by December 2014. We are hopeful that given our new initiatives in 2014 and beyond we will be able to arrest the monthly provisioning which has greatly impacted on the Credit Union's surplus.



TREASURER'S REPORT

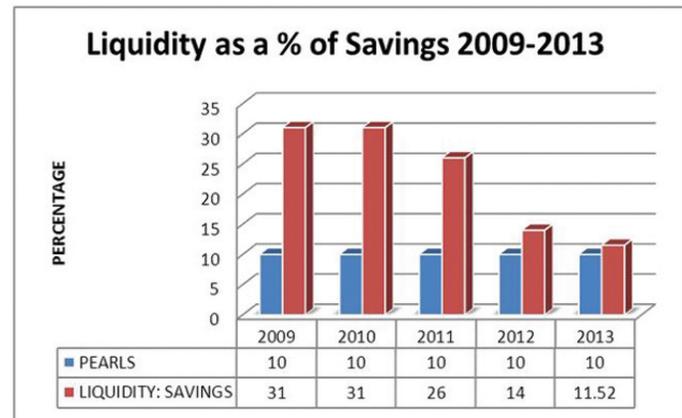
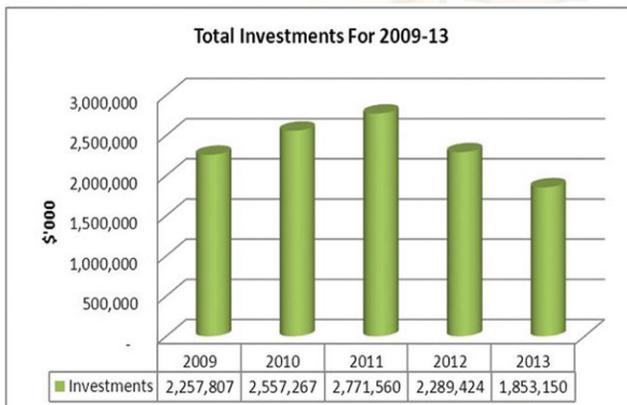


Investments

The investment portfolio at the end of 2013 was \$1.9B. This represents a reduction of approximately \$440M when compared to the balance at the end of 2012. This reduction reflects the shift of funds from investments to loans, to meet our members demand for loans during the year.

Interest income from investments surpassed budget by 11% or \$14.4M, as investment rates, post NDX, increased greater than had been projected. Despite the asset shift into longer loan tenors and the stagnant bond market, the Credit Union was able to manage its cash flow and liquidity to meet loan demands and other payment obligations on a timely basis.

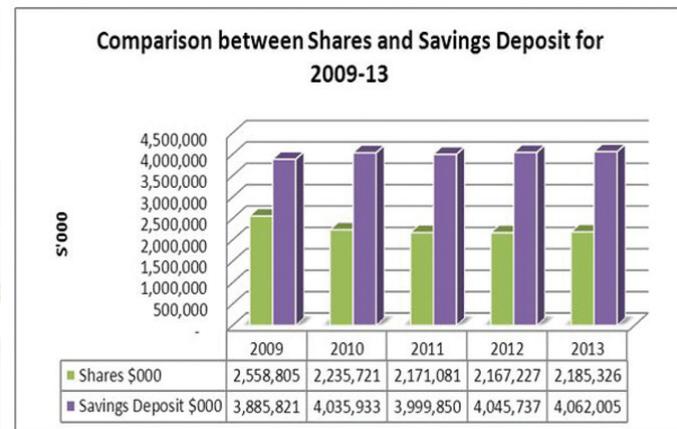
To further diversify its asset base, the Credit Union continues to look at medium risk structured financing projects to boost its interest income. As mentioned earlier, the Credit Union's planned investment gains of \$24M fell short by \$21M in 2013 due to an inactive bond market.



Savings & Deposits

The total savings portfolio increased marginally in 2013 to \$6.25B up from \$6.21B in 2012.

Interest expense on deposits decreased by \$36M or 18%, due to the aligning of interest rates with the reduced investment rates post NDX. The decrease in savings interest cost was offset by the additional \$46M expensed for premiums on bonds following the NDX in February 2013. Most importantly, our members continue to exhibit confidence in the Credit Union as is evident in the increase in year over year savings.



Membership-Permanent Shares

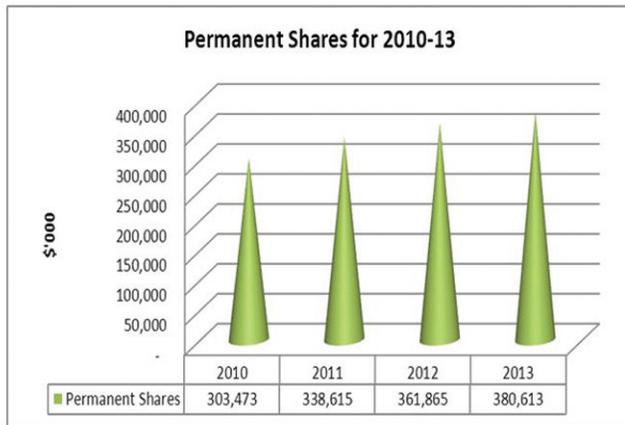
The Credit Union's Adult and CARES membership both grew by 2% or 5,611 and 2,299 respectively, in 2013. Permanent shares increased by \$19M or 5% when compared to 2012. Similarly, membership compliance increased from 56.87% in 2012 to 58.22% at the end of 2013.

ANNUAL REPORT 2013



TREASURER'S REPORT

We now have over 148,000 members being fully permanent share compliant out of a total active membership of over 257,000 adult members. Several initiatives were implemented in 2013 to encourage our members to become permanent share compliant. The initiatives continue as we encourage all our members to become compliant.



THE WAY FORWARD

The Jamaican economy experienced positive growth for the last two quarters of 2013, we saw minimal or no growth records in many areas of the economy with just a few continuing to perform well, including agriculture and tourism. The economy is trying to extend the industries for which it is historically dependent, outside of alumina, bauxite and tourism, but is still highly responsive to external economic shocks and natural disasters. The post IMF agreement has seen the continued sliding of the Jamaican dollar, as well as, liquidity issues which generally lends itself to interest rates trending upwards. Nevertheless, there is light on the horizon, with the government passing the last two quarterly IMF tests, consumer confidence has increased slightly and the international rating agencies have upgraded the ratings on the government bonds.

In 2014, we fully expect that the government will continue to pass the quarterly IMF tests and as such we anticipate some improvement in investor and consumer confidence both locally and internationally. The economic growth will be slow, but the Credit Union, having addressed the internal weaknesses of the past is now on a path of continuous improvements and has positioned itself for growth, through improved efficiencies, cost management, improved product offerings and improved member service delivery in all areas of operations.

Grow Income

The primary focus of the Credit Union in 2014 is the continued growth in savings and loans which should redound in increased assets. Additionally, the Credit Union will continue to grow and balance the risk profile of the loan portfolio, which is expected to result in growth in our loan income.

We will seek to increase our loan market share in the areas of project financing, micro financing, small and medium sized business loans. Additionally, the Credit Union will seek to become more competitive on selective loan rates to drive volumes on specific loan products. A new streamlined credit assessment process was recently implemented and this, along with the proper use of the credit rating results from the Credit Bureaus, should ensure better quality loans.

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

Despite achieving reduced level of delinquency over the past three years, we are still outside of the Movement's standard of 5%. Progress towards this target will be over a period based on the strategies in place, in this light the Credit Union's target is to achieve a rate of 7% for 2014. 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 employ more aggressive methods including taking legal action to recover on delinquent loans.

Asset management is also a very critical area to the Credit Union's operations in its efforts to achieving profitability. We will continue our intense 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 2014. We intend to continue our aggressive approach of asset recovery and liquidation.

Cost Management

We will continue to make cost management and containment a culture within the Credit Union with the emphasis being on efficiency management.



TREASURER'S REPORT



We believe that an efficient COK Sodality will ultimately lead to world class customer service and service delivery which eventually will lead to a more successful and profitable organization.

In 2014, we will roll out our fully automated Payroll Processing System, which will ensure that members salary deductions are processed automatically, as well as a new and improved payment system. These two new systems will lead to cost reduction in stationery and printing costs, improved processing time for transactions and member satisfaction. Other initiatives will also come on stream during 2014 designed to improve our time to market with products, faster turnaround times for loans, as well as, give our membership an enhanced in-branch service. Our initiatives will also involve a visible improvement in the number of ATMs and on-line services offered.

The Credit Union will also continue its energy reduction and conservation programme in 2014. One such initiative is the installation of LED lighting at our Corporate Office and the Cross Roads Branch by the 2nd quarter in 2014.

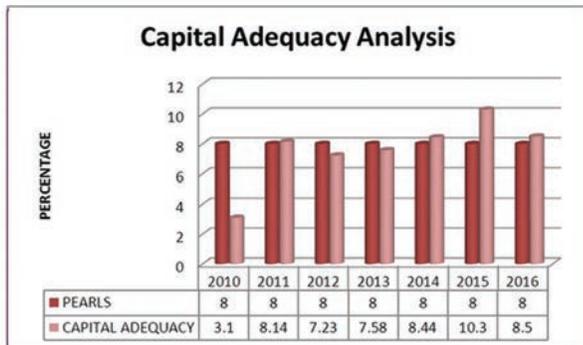
These cost savings initiatives are designed to reduce our operating expenses to within the 8% Expense to Average Assets ratio required by our financial standards.

Capital Adequacy

The Credit Union plans to increase its capital by \$107M in 2014 by a combination of:

- An additional \$35M in Permanent Shares, and
- \$72M from surplus

This will raise the captial adequacy ratio to approximately 8.5% by the end of 2014. The below chart shows the projection for capital for the next 3 years through to 2016.



February is the month for focusing on heart disease and the various ways in which it can manifest itself. One of the factors which contribute to heart disease is STRESS. It is my belief that stress plays a major role in our lives as it relates to the worsening of heart problems.

Stress is simply defined as our automatic response to any change or demand, whether positive or negative. The stress response is coordinated in the body by the autonomic nervous system, which has two divisions, the sympathetic and the parasympathetic nervous systems. The sympathetic nervous system controls the stress response and the parasympathetic nervous system controls the relaxation response.

When you experience a life change or demand, the sympathetic nervous system sends messages to muscles, organs and glands, which help the body react. Powerful chemicals like adrenaline, cortisol and aldosterone, and other neurotransmitters released by the adrenal glands and other organs, have multiple effects on the body, such as increased heart rate and increased blood pressure, among others.

In the short term these effects can help a person prepare for dealing with stress. When the stress is chronic, these physical reactions can lead to disease. For a person with heart disease, for example, some of these effects can lead to chest pain, shortness of breath, palpitations and a heart attack. Other stress-related illnesses can include sexual dysfunction, ulcers, chronic headaches, backaches and high blood pressure.

How can you eliminate or decrease stress in your life?

There are two basic ways of dealing with stress:

1. Avoid it by reducing the external factors which cause you stress. This is not always possible.
2. Manage stress by changing the way you react to a situation. This way you make the change when you cannot change the circumstances.

Stress management techniques can help you react to potentially stressful situations in more healthy and productive ways. These techniques include some of the practices derived from the ancient system of yoga, and include stretching, meditation, deep breathing, progressive relaxation and imagery. They are designed to increase our awareness of what is happening inside us, whether physically, emotionally and spiritually. It makes us better prepared to recognize the symptoms of stress and make changes before we develop unhealthy conditions such as heart disease.



ANNUAL REPORT 2013



TREASURER'S REPORT

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

2014 BUDGET REVENUE AND EXPENDITURE STATEMENT

| 2013 | | | | | 2014 |
|----------------|----------------|----------------|------------|---|----------------|
| <u>BUDGET</u> | <u>ACTUAL</u> | <u>+ / (-)</u> | <u>%</u> | | <u>BUDGET</u> |
| <u>\$'000</u> | <u>\$'000</u> | | | | <u>\$'000</u> |
| | | | | <u>INTEREST INCOME</u> | |
| 638,007 | 648,885 | 10,878 | 2 | Members' Loans | 698,566 |
| 131,105 | 145,622 | 14,517 | 11 | Investments and Deposits | 138,651 |
| <u>769,112</u> | <u>794,507</u> | <u>25,395</u> | <u>3</u> | | <u>837,217</u> |
| | | | | <u>FOR WHICH OUR INTEREST COST AND</u> | |
| | | | | <u>OTHER EXPENSES WERE</u> | |
| 136,776 | 137,461 | (685) | (1) | INTEREST ON MEMBERS' DEPOSITS | 153,307 |
| 24,567 | 22,750 | 1,817 | 7 | INTEREST ON MEMBERS' SHARES (DEFERRED) | 24,826 |
| 59,798 | 51,363 | 8,435 | 14 | LOANS AND OTHER PROVISIONS | 60,092 |
| 38,876 | 26,790 | 12,086 | 31 | OTHER FINANCIAL COSTS | 34,285 |
| 50,002 | 50,679 | (677) | (1) | INTEREST ON EXTERNAL CREDIT | 15,545 |
| <u>310,019</u> | <u>289,043</u> | <u>20,976</u> | <u>7</u> | | <u>288,055</u> |
| 459,093 | 505,464 | 46,371 | 10 | LEAVING A NET INTEREST OF | 549,162 |
| | | | | <u>AND WE ADD NET EARNINGS FROM NON -</u> | |
| | | | | <u>INTEREST SOURCES</u> | |
| 23,014 | 12,220 | (10,794) | (47) | CREDIT CARD | 20,693 |
| 4,582 | 5,578 | 996 | 22 | REMITTANCE SERVICES | 5,462 |
| 11,167 | 11,972 | 805 | 7 | CAMBIO SERVICES | 14,572 |
| 314,595 | 264,125 | 50,470 | 16 | FEES AND OTHER INCOME | 311,677 |
| <u>353,358</u> | <u>293,895</u> | <u>41,477</u> | <u>12</u> | | <u>352,404</u> |
| | | | | <u>MAKING OUR GROSS MARGIN BEFORE</u> | |
| | | | | <u>OPERATING EXPENSES</u> | |
| 812,451 | 799,359 | (13,092) | (2) | | <u>901,566</u> |
| 773,109 | 793,845 | (13,303) | (2) | FROM WHICH WE DEDUCT OUR OPERATING EXPENSES | 830,514 |
| 39,342 | 5,514 | (33,828) | (86) | LEAVING AN OPERATING INCOME / (LOSS) | 71,052 |
| 1,000 | (323) | (1,323) | (100) | ADD SHARE OF PROFIT OF ASSOCIATES | 1,000 |
| 40,342 | 5,191 | (35,151) | (87) | LEAVING A NET INCOME/LOSS | 72,052 |
| 8,068 | 1,038 | 7,030 | 87 | THEN WE TRANSFER 20% TO STATUTORY RESERVE | 14,410 |
| <u>32,274</u> | <u>4,153</u> | <u>28,121</u> | <u>87</u> | LEAVING A NET SURPLUS / (LOSS) | <u>57,642</u> |



TREASURER'S REPORT

2014 BUDGET BALANCE SHEET STATEMENT

| <u>BUDGET</u> \$'000 | 2013 | | VARIANCE \$'000 % | | 2014 | |
|-------------------------|-------------------------|------------------|----------------------|-----------------------------------|-------------------------|-------------------------|
| | <u>ACTUAL</u> \$'000 | | | | <u>BUDGET</u> \$'000 | |
| 4,448,714 | 4,515,300 | 66,586 | 1% | <u>OUR ASSETS</u> | | |
| 1,993,007 | 1,876,283 | (116,724) | -6% | LOANS TO US AS MEMBERS | | <u>5,051,852</u> |
| 222,742 | 112,910 | (109,832) | -49% | OUR INVESTMENTS IN OTHERS | | <u>2,029,355</u> |
| 499,543 | 360,773 | (138,770) | -28% | CASH IN HAND & AT BANK | | <u>50,419</u> |
| 269,101 | 252,050 | (17,051) | -6% | OWING TO US BY OTHERS | | <u>328,615</u> |
| | | | | FIXED ASSETS WE PURCHASED | | <u>279,125</u> |
| <u>7,433,107</u> | <u>7,117,316</u> | <u>(315,791)</u> | <u>-4%</u> | MAKING OUR GRAND TOTAL ASSETS | | <u>7,739,366</u> |
| | | | | % GROWTH PROJECTED | | 9% |
| | | | | <u>SOURCES FROM WHICH OUR</u> | | |
| 2,235,100 | 2,185,326 | (49,774) | -2% | ASSETS ARE FINANCED | | |
| 4,269,052 | 4,062,005 | 207,047 | -5% | OUR SAVINGS IN SHARES | | <u>2,275,000</u> |
| 6,504,152 | 6,247,331 | (256,821) | -4% | OUR SAVINGS IN DEPOSITS | | <u>4,347,387</u> |
| 470,536 | 462,466 | (8,070) | -2% | MAKING OUR TOTAL SAVINGS | | <u>6,622,387</u> |
| 396,281 | 380,613 | (15,668) | -4% | INSTITUTIONAL CAPITAL | | <u>477,089</u> |
| 300,000 | 300,000 | - | 0% | PERMANENT SHARES | | <u>417,000</u> |
| 4,500 | 5,923 | 1,423 | 32% | DEFERRED SHARES | | <u>300,000</u> |
| 180,356 | 97,806 | (82,550) | -46% | INVESTMENT REVALUATION RESERVE | | <u>2,132</u> |
| <u>(572,718)</u> | <u>(609,086)</u> | <u>(36,368)</u> | <u>6%</u> | PENSION RESERVE | | <u>97,806</u> |
| | | | | NON-INSTITUTIONAL CAPITAL | | <u>(551,222)</u> |
| <u>7,283,107</u> | <u>6,885,053</u> | <u>(398,054)</u> | <u>-5%</u> | MAKING THE GRAND TOTAL WE | | |
| 150,000 | 232,264 | 82,264 | 55% | OWN AS MEMBERS | | <u>7,365,192</u> |
| | | | | WE OWED OTHERS AT YEAR-END | | <u>374,174</u> |
| | | | | AGREEING THE SOURCES OF | | |
| <u>7,433,107</u> | <u>7,117,316</u> | <u>(315,791)</u> | <u>-4%</u> | FINANCING WITH OUR TOTAL | | |
| | | | | ASSETS | | <u>7,739,366</u> |

ANNUAL REPORT 2013



TREASURER'S REPORT

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 modest surplus of 2013, 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 the 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 2014

In keeping with Rule 70, it is proposed that Maximum Liability to 31 December, 2014 be set at \$7.7 billion, being 12 times the 2013 total capital, inclusive of Deferred Share of \$300 million, projected at \$640 million

For and behalf of the Board of Directors



Steadman Pitterson
Treasurer

Diabetic Association Labour Day Project 2013



TREASURER'S REPORT

| <u>PRUDENTIAL INDICATORS</u> | <u>PEARLS</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|---|---------------|-------------|-------------|-------------|-------------|-------------|
| 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 | 63.38 | 56.27 | 47 | 50 | 55 |
| Liquid Assets / Total Assets | max 20 | 11.80 | 13.54 | 23 | 28 | 26 |
| Financial Investments / Total Assets | max 10 | 15.78 | 18.82 | 16 | 9 | 4 |
| Total Savings / Total Assets | 70-80 | 88.75 | 87.53 | 86 | 90 | 84 |
| Shares / Total Assets | 10 - 20 | 30.68 | 30.20 | 30 | 32 | 33 |
| Institutional Capital / Total Assets | min 8 | 7.58 | 7.23 | 8.14 | 3.1 | 8.9 |
| ASSET QUALITY | | | | | | |
| Delinquency (>1mth) / Gross Loan Portfolio | <=5 | 10.42 | 10.51 | 7 | 11 | 9 |
| non-Earnin Assets / Total Assets | <=7 | 9.37 | 10.28 | 15 | 11 | 14 |
| RATES OF RETURN AND COSTS | | | | | | |
| Net Loan Income / Average Net Loan | mkt rate | 14.67 | 15.02 | 18 | 18 | 19 |
| Operating Expenses / Average Assets | <=8 | 10.66 | 11.37 | 10.9 | 10.2 | 10.5 |
| Net Margin / Average Assets | >5 | 0.09 | -1.83 | 0,74 | -6.6 | -0.5 |
| Loan loss provision / Average Assets | cover loss | 1.55 | 1.7 | 1.50 | 2.7 | 2.5 |
| LIQUIDITY | | | | | | |
| Liquidity reserves / Total savings deposits | 10 | 11.52 | 14.14 | 26 | 31 | 31 |
| Non earning liquid assets / Total Assets | <1 | 1.57 | 1.16 | 2 | 1.5 | 1.2 |
| SIGNS OF GROWTH (YTD) | | | | | | |
| Loans (gross) | | | 19 | (5) | (18) | (4) |
| Savings Deposits | | | 3 | 0 | 4 | 13 |
| Shares | | | 0 | (3) | (13) | (1) |
| Institutional Capital | | | - | 7 | 59 | 24 |
| Membership | 5% | 2% | 3% | 3% | 6% | 7 |
| Total assets | >=inflation | 0.25 | 0.47 | 4.00 | -10 | 5 |

ANNUAL REPORT 2013



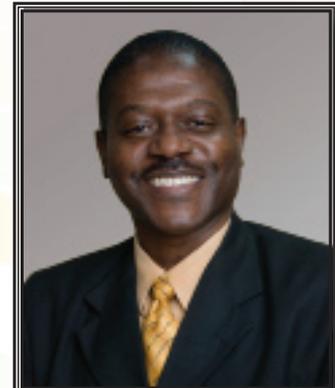
COK MANAGEMENT TEAM



Jacqueline Mighty
Chief Executive Officer



Linda Miller
Chief Operations Officer



Desmond Foster
Strategic Planning & Business
Development Senior Manager



Shaun Barrett-Radcliffe
MIS



Roshene Betton
Legal Counsel



Dianne Bolton
Credit Origination



Vevine Cameron
Credit



Hugh Campbell
DMU



Rexona Christie
Facilities & Procurement



Juliet Henry
Branch Operations



Millicent Isaacs
HR & L



Anthony Morris
Internal Audit



Claudine Scott
Marketing



Emma Thomas
Member Relations



Trisha Williams
Accounts



Stanford Hastings
Mandeville



Morris Livingston
Half Way Tree



Tina Livingston
Cross Roads



Oral Sewell
Portmore



Roger Shippey
Montego Bay



ANNUAL REPORT 2013



TEAM MEMBERS

SECURITIES ADMIN



CREDIT



MANAGEMENT INFORMATION SYSTEMS



CEO'S OFFICE

HUMAN RESOURCE & LEARNING



MARKETING



STRATEGIC PLANNING & BUSINESS DEVELOPMENT



INTERNAL AUDIT



ANNUAL REPORT 2013



TEAM MEMBERS

RECORDS



BRANCH OPERATIONS



FACILITIES & PROCUREMENT



CENTRALIZED SERVICES UNIT



RISK & COMPLIANCE



BRANCH OF THE YEAR - MONTEGO BAY



TEAM MEMBERS

DEBT MANAGEMENT UNIT



ACCOUNTS



CAMBIO & REMITTANCE



PENSION



MEMBER RELATIONS



FINANCIAL SERVICES



ANNUAL REPORT 2013



TEAM MEMBERS (BRANCHES)

HALF WAY TREE



PORTMORE



CROSS ROADS



MONTEGO BAY



MANDEVILLE



2013 Employee of the Year



COK SODALITY - CORPORATE CITIZEN



Making a
DIFFERENCE
In our community



COK Sodalities Mandeville members meeting



COK Sodalities hosting a workshop for its micro business members



COK Sodalities awards a scholarship to a top performer (Montego Bay Branch)



A cool drink, a bite, and a smile for COK Sodalities makes this man's day.



Members in rapt attention at Mandeville members meeting



COK Sodalities shares treats with members of the community



COK Sodalities staff giving back to the less fortunate



COK Sodalities awards a scholarship to a top performer (Mandeville Branch)



COK Sodalities gives a special treat to this member



Oct. 27th, 2013 - COK Sodalities celebrated its 46th Anniversary at St. Luke's Anglican Church - Cross Roads

ANNUAL REPORT 2013



REPORT OF THE CREDIT COMMITTEE

For the Year Ended December 31, 2013

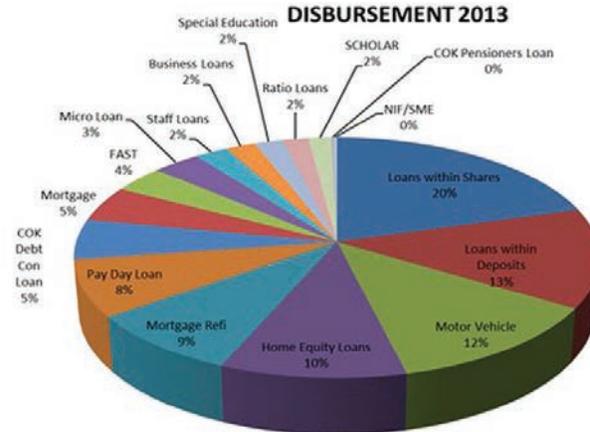
The year 2013, COK was faced with major internal and external challenges. Within the external environment, interest rates remained relatively low for the better part of the year, however this served to heighten the competition significantly in the market and required COK to make changes to its products and occasionally granting concessions and waivers in order to remain competitive. Despite these challenges, the Credit Union ended the year attaining 91.7% of the disbursement budget as shown below. In addition, a growth of \$475M or 11.5% in the portfolio was achieved. This surpasses the target of 10% that was set for the fiscal year.

| As At | Actual | Budget | % achieved |
|----------|---------------|---------------|------------|
| Dec - 13 | 2,662,383,831 | 2,902,675,000 | 91.72% |
| Dec - 12 | 2,874,252,288 | 2,850,581,194 | 100.83% |
| Dec - 11 | 2,208,295,155 | 2,739,380,528 | 80.61% |

The increased cost of living on the other hand 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.

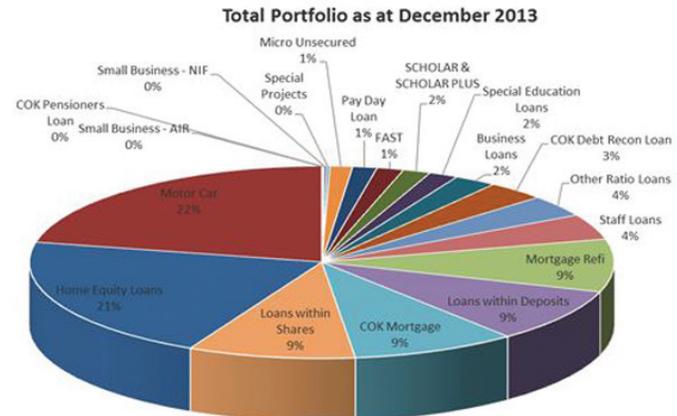
| Disbursement January - December 2013 (J\$) | |
|--|-------------------------|
| Loans within Shares | 543,754,793 |
| Loans within Deposits | 356,345,102 |
| Motor Vehicle | 331,263,792 |
| Home Equity Loans | 269,678,369 |
| Mortgage Refi | 229,763,104 |
| Pay Day Loan | 203,955,845 |
| COK Debt Con Loan | 145,131,213 |
| Mortgage | 126,259,471 |
| FAST | 96,553,640 |
| Micro Loan | 88,888,256 |
| Staff Loans | 61,798,157 |
| Business Loans | 55,360,962 |
| Special Education | 52,748,223 |
| Ratio Loans | 47,653,525 |
| SCHOLAR | 43,124,979 |
| COK Pensioners Loan | 5,104,400 |
| NIF/SME | 5,000,000 |
| Grand Total | J\$2,662,383,831 |

Internally, COK benefitted as a result of the various loan promotions that were undertaken during the year; of note is the Debt Consolidation product, for which the projections of \$104M were exceeded by approximately 40%.



TOTAL PORTFOLIO

As at the end of December 2013 total number of loans stood at 31,601 broken out with 22,242 being Loans within Shares/Deposit (LWS & LWD). When compared to the dollar value, the largest share of the portfolio was Motor Vehicle loans, which accounted for 22% closely followed by Home Equity loans at 21%. The total loan portfolio as at December 31, 2013 was \$4,621,389,524. (See chart below)



| | | | |
|-------------------------|-----|-----------------------|-------------|
| Small Business - AIR | 0% | Business Loans | 2% |
| Motor Car | 22% | COK Debt Recon Loan | 3% |
| COK Pensioners Loan | 0% | Other Ratio Loans | 4% |
| Small Business - NIF | 0% | Staff Loans | 4% |
| Special Projects | 0% | Mortgage Refi | 9% |
| Micro Unsecured | 1% | Loans within Deposits | 9% |
| Pay Day Loan | 1% | COK Mortgage | 9% |
| FAST | 1% | Loans within Shares | 9% |
| SCHOLAR & SCHOLAR PLUS | 2% | Home Equity Loans | 21% |
| Special Education Loans | 2% | TOTAL | 100% |



REPORT OF THE CREDIT COMMITTEE

For the Year Ended December 31, 2013

CONCLUSION

COK achieved 91.7% of the overall disbursement target for the year. This is considered to be a reasonable performance in light of the many external and internal challenges that prevailed and which were highlighted above. Notwithstanding this, we are confident that there will be no material changes to disbursements for 2014 provided we can address some of the structural and operational issues facing the Credit Union and the initiatives to address these will form part of the focus for 2014. Specifically, the issue of member service will be extremely important in an increasingly competitive market, as well as, a more aggressive approach to generation and collection of fee income.

The financial landscape entered a new phase in 2013 with the introduction of Credit Bureaus in Jamaica. COK Sodality Cooperative Credit Union Limited was among the first financial organizations to submit applications for participation. This has enhanced the credit approval process as decisions are made from a more informed basis and will only auger well for the growth in the loan portfolio.

The economic dynamics have been improving and this is characterized by the three consecutive quarters of economic growth and the passage of three IMF tests and the projection is for this to continue into the March quarter of 2014, as strategic investments such as the 381 megawatt plant and the logistic hub comes on stream. The construction and installation sector is on the rebound, as well as, the agriculture and mining sectors.

Notwithstanding this, we as a people need to remain focused, particularly the members of COK Sodality and exercise a great degree of frugality and prudence in our spending decisions. Additionally, the members are urged to join the national effort to buy more locally produced goods and services where it is prudent to do so. This will redound to the creation of more jobs and the stabilization of the exchange rate. We also want to urge our members to exercise a greater degree of personal responsibility in honoring their obligations, as well as, taking advantage of the opportunities that exist to enhance their earning capacity. Most importantly, we must all resist the high levels of indiscipline and anti-social behavior which are threatening to destroy the social and economic fabric of our country.

Given this background and the deliberate plans that are afoot internally, the Credit Union is poised to deliver an improved performance for 2014. Let us work to make Jamaica the place of choice to LIVE, WORK, RAISE FAMILIES AND DO BUSINESS.

We the members of the Credit Committee are calling upon the members of COK Sodality to join the volunteers, employees, management and other stakeholders as we strive to reclaim our number one position.

ACKNOWLEDGEMENTS

The Credit Committee acknowledges the assistance of management and staff for their assistance as we exercised oversight responsibility for all loans approved at the Credit Union and as such met fortnightly to consider, discuss and approve loans as well as randomly selected and reviewed loan accounts from the total portfolio.

Our thanks to you our Members and fellow volunteers for your support during the year and we look forward to the coming year.



L-R: Orville Christie, Irwin Gregory, Donna Pommells (Chairman), Carol Williams & Errol Beckford - Missing: Catherine Gregory, Lisa Campbell, Ralston Hyman & Rev. Norman Francis

The Serving members of the Committee are:

Mesdames: Catherine Gregory - Secretary
Carol Williams
Donna Pomells - Chairman
Lisa Campbell

Messrs: Errol Beckford
Clifton Williams
(Resigned - May 2013)
Irwin Errol Gregory
Norman Francis
Orville Christie
Ralston Hyman

God bless you all.

Co-operatively yours,

Donna Pommells
Chairman

ANNUAL REPORT 2013



REPORT OF SUPERVISORY COMMITTEE

At the 46th Annual General Meeting held on May 8, 2013 the following members were duly elected and served on the Supervisory Committee in the following capacities:

| | | |
|-----------|-----------------------|-------------|
| Mesdames: | Herma Walker | - Chairman |
| | Jacqueline Daley | - Secretary |
| | Beverly Haylett Smith | - Member |
| | Phillippa Edwards | - Member |
| | Vinnate Hall | - Member |
| Messrs: | Alston Reid | - Member |
| | Clive Medwynter | - Member |
| | Rohan Townsend | - Member |
| | Arnold Breakenridge | - Member |

Recognition

The Committee expresses its appreciation to Mrs. Myrna Watts who volunteered her services to the Supervisory Committee for the nine-year period 2004 to 2013. We wish for her much success in her future endeavours.

Role and Responsibilities

The Supervisory Committee's mandate is to ensure that the Management and Board undertake their respective functions in accordance with the policies and rules of the Credit Union and the Co-operative Societies Act.

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

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

Areas of Focus 2013

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
- ATM Access Plus Card Processing
- Credit Administration
- Accounts Payable

- Proceeds of Crime Act (POCA)/Anti-Money Laundering
- Monthly Cash Audit Exercises
- Special Management/Committee Requests

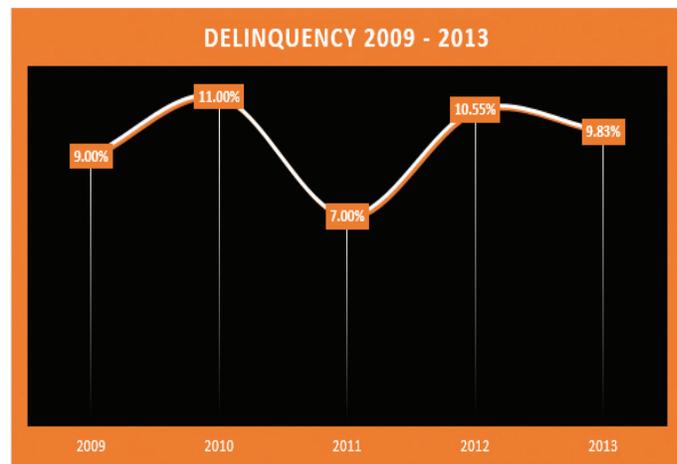
We conducted our reviews in accordance with International Auditing Standards and best practices. There was general adherence to established policies, procedures and internal controls. Compliance with the related laws and regulations that govern the Credit Union's operations was adequate. Recommendations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

As part of our mandate a member from the Committee is required to attend regular monthly meetings of the Board of Directors, Finance and Policy, Joint Credit, Debt Management and Audit, Risk and Compliance Committees. By attending these meetings we were able to identify areas requiring greater attention.

Delinquency

Delinquency continues to be one of the greatest challenges for the Credit Union impacting its viability and profitability. We urge members to honour their obligations by repaying their loans on a timely basis, and also to encourage other members to do likewise.

The graph below gives an indication of the levels of delinquency experienced by the Credit Union over the last five years.



REPORT OF SUPERVISORY COMMITTEE

Suggestion Box

Many of the suggestions received from our members were issues relating to customer service delivery throughout the branch network. Efforts were made to address these situations through contacts with the respective members and improvements to internal processes, while at the same time, the Management administered additional customer service training to the general staff. With regards to the other concerns expressed by the membership, the Committee provided feedback to Management for their appropriate action.

We have noted a reduction in the level of feedback from the membership, which might be an indication that members are not making use of the Suggestion Box placed in all branches. We rely on the feedback of our members, as this is also a tool used to measure the effectiveness of services provided.

Committee Performance

The Committee continues to bring to the attention of the Board of Directors and other volunteers, issues that impact the Management's performance during the past year. We participated in meetings such as Finance and Policy Committee, Audit, Risk & Compliance Committee, Debt Management Committee and Credit Committee deliberations which afforded us to make a significant contribution to the growth and development of the organisation.

Acknowledgements

The Supervisory Committee acknowledges the Board of Directors, Management, the Administrative support staff, Credit and other committees for their tremendous support during the year. Exceptional appreciation to the Internal Audit staff for their tremendous support and contribution.

Thanks to our members who afforded us the privilege to serve over the past year.

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, as you "Invest in Your Future Today".



L-R: Arnold Breakenridge, Rohan Townsend, Herma Walker (Chairman), Jacqueline Daley, Philippa Edwards, Clive Medwynter & Beverly Haylett-Smith - Missing: Vinnate Hall & Alston Reid

Herma Walker
Chairman - Supervisory Committee

ANNUAL REPORT 2013



REPORT OF NOMINATING COMMITTEE

The members of the Nominating Committee were:

- | | | |
|---------------------------|---|---------------|
| Mr. Deryke Smith | - | Chairman |
| Bishop Burchell McPherson | - | Member |
| Mr. Garth O'Sullivan | - | Member |
| Mrs. Jacqueline Mighty | - | Staff Liaison |
| Mrs. Vevine Cameron | - | Staff Liaison |



L - R : Vevine Cameron, Barbara McKenzie, Garth O'Sullivan, Jacqueline Mighty & Deryke Smith

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.

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 |
|--------------------------|---|----------------|
| Mr. Christopher Robinson | Mr. Christopher Robinson Management Consultant 171 Mountview Blvd Keystone St. Catherine | 2 Years |
| Dr. Karen Asher-Osbourne | Dr. Karen Asher- Osbourne Consultant Anaesthetist Portmore Healthcare Complex 10 Henderson Drive Gregory Park St. Catherine | 2 Years |
| Mr. Al Chambers | Mr. Al Chambers Managing Director Shop 26, - Blvd Shopping Centre, 45 Elmer Cres, Kgn 20 | 2 Years |
| Mr. Terry Thomas | Mrs Marjorie Shaw Attorney- at-Law Brown & Shaw 12 Herb McKenley Drive Kingston 6 | 1 Years* |
| Monsignor Michael Lewis | Monsignor Michael Lewis St. Richards Catholic Church 126 Red Hills Road Kingston 6 | 2 Years |
| Mr. Winston Butler | Mr Orville Christie Chartered Accountant Boldeck Jamaica 3A Houghton Avenue Kingston 10 | 2 Years |

* Mr. Terry Thomas resigned before completing his term of office. Mrs. Marjorie Shaw was appointed by the Board to fill the vacancy and is now being nominated to complete the term of office.



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 consist 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 |
|----------------------|---|----------------|
| Mrs. Carol Williams | Mr. Rohan Townsend Chartered Accountant 7 Favorita Avenue Three Oaks Gardens Kingston 20 | 2 Years |
| Mr. Errol Beckford | Mr. Errol Beckford Director of Human Resources Petroleum Corp of Ja. 695 Spanish Town Road Kingston 11 | 2 Year |
| Mrs. Donna Pommells | Mrs. Donna Pommells Advertising Consultant Jamaica Yellow Pages 48 Constant Spring Road Kingston 8 | 2 Years |
| Ms. Lisa Campbell | Ms. Lisa Campbell Attorney-at-Law Project Director Land Administration & Mgmt Programme Ministry of Land Environment & Climate Change Office of the Prime Minister 1 Devon Road Kingston 10 | 2 Years |
| Mr. Orville Christie | Mr. Lenworth Tracey Director, Strategic Initiatives & Business Development University College of the Caribbean (UCC) 17 Worthington Ave. Kingston 5 | 2 Years |

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 Revenue & Marketing Manager 27 Mannings Hill Road Kingston 8 | 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 Ardene Road, Kingston 10 | 1 Year |
| Mr. Rohan Townsend | Mrs. Carol Williams Blood Donor Organizer The Blood Bank 21 Slipe Pen Road Kingston 5 | 1 Year |
| Mr. Alston Reid | Mr. Alston Reid HR Services Manager National Water Commission. 4 Marescaux Road Kingston 5 | 1 Year |

ANNUAL REPORT 2013



REPORT OF NOMINATING COMMITTEE

SUPERVISORY COMMITTEE Cont'd..

| RETIRING | RECOMMENDED | TERM IN OFFICE |
|-----------------------------|---|----------------|
| 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 Director Revenue Accounting Jamaica Customs Department 2-4 King Street | 1 Year |
| Mrs. Beverley Haylett-Smith | Mrs. Beverley Haylett Smith Paralegal Secretary Betting, Gaming & Lotteries Commission, Building #2 17 Ruthven Road Kingston 5 | 1 Year |

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. Michael Burke | Mr. Michael Burke | 1 Year |
| Mr. Neville Rhone | Mr. Neville Rhone | 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 Sodalities Co-operative Credit Union.

Deryke L. Smith
Deryke Smith - Chairman
For & on behalf of the Nominating Committee



DELEGATES' REPORT JAMAICA CO-OPERATIVE CREDIT UNION LEAGUE

DELEGATES REPORT OF THE JAMAICA CO-OPERATIVE CREDIT UNION LEAGUE'S CONVENTION AND THE 72nd ANNUAL GENERAL MEETING HELD AT THE RITZ-CARLTON GOLF & SPA RESORT, MONTEGO BAY, ST. JAMES MAY 16-19, 2013

The Jamaica Co-Operative Credit Union League's (JCCUL/ League) Convention and Annual General Meeting (AGM) took place at the Ritz Carlton Hotel from May 16-19, 2013. It was held under the theme: "Renewed. Repositioned. Reshaping the Movement for the Future."

This conference was the first AGM following the transformation of JCCUL into a consolidated entity and it generated much interest.

One of the highlights of the conference was the annual Awards dinner which was held on the Friday evening, May 17, 2013. Professor Trevor Munroe was the guest speaker and he congratulated the Credit Union Movement for its continued growth throughout challenging economic times.

Credit Union of the Year Awards

A number of Credit Unions received awards as under:

- JTA Co-operative Credit Union - Mega Credit Union of the Year Award
- NCB Employees Co-operative Credit Union - Large Credit Union of the Year Award.
- Postal Co-operative Credit Union - Medium Credit Union of the Year Award.
- Church of the First Born Co-operative Credit Union - Small Credit Union of the Year Award

Sectional Awards

- Manchester Co-operative Credit Union - Highest Net Loan Growth and the Most Outstanding Parish Credit Union.
- JDF Co-operative Credit Union - Most Improved Net Capital/Total Assets ratio
- Lascelles & Partners Co-operative Credit Union - Highest Asset Growth
- D&G Employees Co-operative Credit Union - Highest Solvency.
- First Regional Co-operative Credit Union - Highest Return on Assets.

COK Sodality Co-operative Credit Union won the following awards and prizes:

- Top Producer - FIP
- Top Producer - Golden Harvest Plans
- JCCUL Award for highest volume & value P2P remittance transfers

Board Report

The Annual General Meeting was chaired by President Johnathan Brown who did a multi-media presentation summarising the Board report. All aspects of JCCUL's operations were presented and examined.

As part of the presentation, the meeting was also updated on the League's transformation project and its new business model, which saw the League becoming a holding entity, securing majority shareholdings in the Credit Union Fund Management Company, the Centralised Strategic Services Company and Quality Network Co-operative, while continuing its role as a Trade Association.

This was to allow the various companies to bring greater focus and efficiency in the delivery of those services to give greater value to Credit Unions.

League's Performance 2012

- The League recorded an increase of 1.7% in assets for 2012.
- At the end of the year, assets stood at \$10.1B compared to \$9.9B recorded in the previous year.
- Operating surplus increased by 9.7% over the previous year, recording \$158.59M for 2012.
- Net institutional capital to assets ratio improved to 12.33% in 2012 from 11.34% in 2011.

RULE AMENDMENTS

Governance was also another important element of the transformation process and a proposal for a new governance structure for the League was presented to delegates at the Annual General Meeting. After a lengthy discussion the meeting asked for a review of the proposal to include representation from the four peer groups, based on asset sizes. A special general meeting was suggested for a decision to be made on this matter. A number of amendments were made to the existing rules in the wake of the transformation of the League.



DELEGATES' REPORT

The executive team elected at the AGM for the 2013-2014 financial year were:

| | | |
|-------------------------|---|--------------------------|
| Mr. Derrick Tulloch | - | President |
| Mr. Johnathan Brown | - | Immediate Past President |
| Ms. Carol Anglin | - | 1st Vice President |
| Mr. Winston Fletcher | - | 2nd Vice President |
| Mr. Ian McNaughton | - | Treasurer |
| Ms. Fay Davis | - | Asst. Treasurer |
| Mr. Rodcliffe Robertson | - | Secretary |
| Dr. Dorothy Raymond | - | Asst. Secretary |

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 JAMAICA FISHERMEN CO-OPERATIVE UNION

Delegates Report to the Annual General Meeting of the Jamaica Fishermen Co-operative Union Ltd. held at the Tropics View Hotel, Mandeville, Manchester February 25, 2014.

The meeting was attended by delegate, Michael Burke and, in attendance as an Observer, Mr. Stanford Hastings, Branch Manager of the COK Sodality Mandeville Branch.

The Board's Report, highlighted the following matters:

- The Society showed growth in Assets of 1.5% over the previous year
- The Society reported a surplus of \$2.5M for the year ended June 30, 2013.
- Sales for the year of \$137.6M was 19% higher than the previous year
- Operating expenses of \$43.1M was 7% or \$3.2M more than the previous year
- Rental Income grew by 136% over the previous year, from \$0.49M to \$1.2M
- A Branch Store was opened in Port Antonio to replace the one in Hope Bay
- Due to the cancellation of membership, there are now only twelve (12) fishing co-operatives with only six (6) being active.
- International Fishermen's Day was celebrated in July 2013 with a National Fisher-folk conference in Twickenham Park, St. Catherine. A Church Service was also held in St. Thomas and the Regatta in Rocky Point, Clarendon.
- The Union is in the process of acquiring the Port Royal Properties in an effort to have the assets remain within the Fishermen Co-operative portfolio.

Mr. Michael Burke, COK's delegate to the AGM, expressed his great disappointment that, having moved a resolution, which was unanimously passed at the last AGM in 2013, to have a Strategic Seminar, the Board did not carry out the wishes of the previous Annual General Meeting. He indicated that he was hearing at successive AGMs, the Chairman bemoaning all the ills of the fishing industry but the Board did not convene the Strategic Seminar where ideas could be put on the table so that the matters could be addressed and resolved.

The Board promised that the strategic seminar would be held in the ensuing year.

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

- Mr. Havelan Honeygan - Gillings Gully Fishermen Co-operative
- Mr. Ian Edwards - NE Island Fishermen Co-operative
- Ms. Junior McDonald - Old Harbour Bay Fishermen Co-operative

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

- Shawn Taylor - Calabash Bay Fishermen Co-operative
- George Deleon - Calabash Bay Fishermen Co-operative
- Sandra McLeod - Old Harbour Bay Fishermen Co-operative
- Shawn Ascott - Alloa Fishermen Co-operative
- Keith Myrie - Rocky Point Fishermen Co-operative
- Glaston White - Half Moon Bay Fishermen Cooperative

On behalf of the delegates,

Jacqueline Mighty (Mrs.)
Delegate

REPORT OF THE EDUCATION COMMITTEE

The scholarship is valued at \$75,000.00 per annum and 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 as noted above.

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 our members to stay tuned to COK's communications to ensure that you are kept abreast of what is happening within your Credit Union.

On behalf of the Education Committee,



Al Chambers
Chairman

COK S.C.H.O.L.A.R. Loan
for tertiary students

10%

on reducing balance

Get up to 12 years to repay! * *
Approval in 3-5 days!

OBITUARIES

List of Deceased Members For Whom Claims Were Settled in 2013

| | | | |
|---------------|--------------------|----------------|-----------------|
| 1. ANTHONY | ADLAM | 47. JOYCE | DALE |
| 2. VERNA | ALLEN | 48. REVETA | DALEY |
| 3. JUSTINA | ANDERSON | 49. JENNIFER | DAVIDSON |
| 4. WINSTON | ANDERSON | 50. MARY | DAWKINS |
| 5. PATRICK | ANDERSON | 51. BEVERLEY | DIXON |
| 6. MARLON | ATKINSON | 52. VALBERT | DIXON |
| 7. KIMIAN | BAILEY | 53. MILLAINE | DOUGLAS-EDWARDS |
| 8. HORACE | BAILEY | 54. SHIRLEY | DOWNER |
| 9. ERIC | BAILEY | 55. OMAR | DUNKLEY |
| 10. LEON | BAILEY | 56. LLOYD | EDWARDS |
| 11. HILROY | BAINBRIDGE | 57. HUGH | EDWARDS |
| 12. NORMAN | BARRETT | 58. BERNEY | EDWARDS |
| 13. LLOYD | BECKFORD | 59. MABEL | EDWARDS-SPLATT |
| 14. MICHELLE | BERTH | 60. GARFIELD | ELLIS |
| 15. LEROY | BIGGS | 61. HYACINTH | EVANS |
| 16. DENNIS | BIGGS | 62. SIMONE | EWEN |
| 17. SONIA | BLAIR | 63. LIVONNE | FAGAN |
| 18. ERIC | BOGLE | 64. LECA | FAGON-FENTON |
| 19. GLORIA | BONNICK | 65. NAOMI | FEARON |
| 20. PATRICK | BROMFIELD | 66. ALAN-RAE | FINE |
| 21. VIVENE | BROWN | 67. DORETH | FLYNN-YOUNG |
| 22. HOWARD | BROWN | 68. ALTHEA | FOSTER |
| 23. KAREN | BROWN | 69. IDA | GALLOWAY |
| 24. LESLIE | BROWN | 70. BARRINGTON | GAYLE |
| 25. MARCIA | BROWN | 71. AELFREDA | GAYLE |
| 26. ERROL | BROWN | 72. OWEN | GILLIES |
| 27. SEYMORE | BRYAN | 73. ROBERT | GORDON |
| 28. GUSTAVUS | BRYAN | 74. SOPHIA | GORDON |
| 29. JUDITH | BRYAN | 75. NOEL | GORDON |
| 30. ROSEMARIE | BURKE | 76. ETHEL | GRAHAM |
| 31. MARCIA | BURNSIDE-HESLOP | 77. MERTILINE | GRANT |
| 32. LAWRENCE | CAMPBELL | 78. ROSEMARIE | GRAY |
| 33. BOYSIE | CAMPBELL | 79. WINSTON | GREEN |
| 34. PATROY | CAMPBELL | 80. ELFIE | GREGG |
| 35. JOYCE | CAMPBELL-RICHARDS | 81. FITZROY | GRIFFITHS |
| 36. MILTA | CAMPBELL-SMITH | 82. STOCKLEY | HADDEN |
| 37. ROGER | CASE | 83. CORNALL | HALL |
| 38. MAUREEN | CHAMBERLAIN-BONNER | 84. VALERIE | HARRISON |
| 39. DAVID | CHAMBERS | 85. TARA | HAYNES |
| 40. CARMEN | CHARLTON | 86. SHARON | HENDERSON |
| 41. ROY | CHRISTIE | 87. SHELLY | HENRY |
| 42. VICTOR | CLARKE | 88. EDGAR | HENRY |
| 43. ROLAND | CLARKE | 89. HELEN | HENRY |
| 44. CHARMAINE | COHEN | 90. ELENORA | HEWITT |
| 45. DELROY | COLE | 91. ANTHONY | HEWITT |
| 46. WINSTON | COX | 92. ROSHEAN | HINDS |

OBITUARIES

List of Deceased Members For Whom Claims Were Settled in 2013 Cont'd.

| | | | |
|-----------------|-----------------|-----------------|----------------|
| 93. DESMOND | HINES | 139. BARBARA | MORGAN |
| 94. VERRETTA | HUDSON | 140. STEPHANIE | MORGAN |
| 95. VINCENT | HUNTER | 141. EVERTON | MORRISON |
| 96. AUDLEY | HURGE | 142. OLGA | MUNROE |
| 97. RAPHALETA | HYLTON-EDWARDS | 143. PAMELLA | NEIL |
| 98. DOLREEN | JAMES | 144. THELMA | NEWSOME |
| 99. SYLVIA | JAMES | 145. DELROY | OLIPHANT |
| 100. TAJ | JAMES | 146. DIANA | OSBORN |
| 101. EMILY | JAMES | 147. NOEL | OWENS |
| 102. CASSANDRA | JAMES-PEART | 148. KENUTE | PAGE |
| 103. BEVERLEY | JOHNSON | 149. EDNA | PALMER |
| 104. ORAL | JOHNSON | 150. LAURA | PANTON |
| 105. DONALD | JOHNSTON | 151. MYRTLE | PARKER |
| 106. CONRAD | JONES | 152. JOSETTE | PEART |
| 107. ROBERT | JONES | 153. JOAN | PETE |
| 108. FRANK | JORDON | 154. VERA | PIXLEY-KEELING |
| 109. KELVIN | KELLY | 155. KARLENE | POWELL |
| 110. CLINTON | KENNEDY | 156. KAREN | POYSER-SALMON |
| 111. ISREAL | KETTLE | 157. RICHARD | PRESTON |
| 112. PHYLLIS | KILDARE | 158. KAREISHA | PRESTON |
| 113. ELLEN | LAING | 159. ANTOINETTE | RAMCHARAN |
| 114. EDWARD | LAWSON | 160. YVONNE | RAMSAY |
| 115. PATRICIA | LEE | 161. BEVERLY | REID |
| 116. HYACINTH | LEE | 162. DESHAUN | REID |
| 117. RAYMOND | LEWIS | 163. KEISHA | REID |
| 118. LEROY | LEWIS | 164. ANGELLA | RHOOMS |
| 119. CLAUDETTE | LINDO | 165. MAUREEN | RIDGARD |
| 120. PAULA | LIVERMORE | 166. ORVILLE | ROBINSON |
| 121. LILIETH | LOGAN | 167. MARTEL | ROBINSON |
| 122. MARCUS | LYNCH | 168. MARCUS | ROSE |
| 123. MONICA | MARRIOTT | 169. WREN | RUSSELL |
| 124. DEAN | MARTIN | 170. JEAN | RUSSELL |
| 125. VIOLET | MARTIN | 171. ELTON | SAMUELS |
| 126. CYNTHIA | MCDONALD-GRAHAM | 172. TRUDEL | SAMUELS |
| 127. DAMION | MCDUGAL | 173. DECORDOVA | SANGSTER |
| 128. VALENTINE | MCGREGOR | 174. PATRICIA | SAYLES |
| 129. STEVE | MCINTOSH | 175. MICHAEL | SCOTLAND |
| 130. LEON | MCINTYRE | 176. ERNEST | SCULLEY |
| 131. KENROY | MCKENZIE | 177. DAWN | SINCLAIR |
| 132. CALEB | MCLEAN | 178. JOAN | SMALL |
| 133. EDWINA | MCPHERSON | 179. ANNETTE | SMITH |
| 134. ERNEST | MEIKLE | 180. CALVIN | SMITH |
| 135. GLORIA | MEIKLE | 181. MAVIS | SMITH |
| 136. JACQUELINE | MILLER | 182. ERIC | SMITH |
| 137. AUNDRE | MITCHELL | 183. YANA | SMITH |
| 138. LYNFORD | MORGAN | 184. SHARON | SMITH |
| | | 185. MAXINE | SMITH |



OBITUARIES

List of Deceased Members For Whom Claims Were Settled in 2013 Cont'd.

| | |
|------------------|-------------------|
| 186. EGBERT | SNOW |
| 187. ENOCH | SOMMERVILLE |
| 188. SANDRA | SPENCE |
| 189. STEPHANIE | SPENCE-BURNETT |
| 190. GEORGE | SPENCER |
| 191. OSRELL | STERLING |
| 192. LUDLOW | STEWART |
| 193. HAROLD | STEWART |
| 192. KEIFEL | STODDART |
| 195. JASMINE | SURGEON |
| 196. MONICA | THOMAS |
| 197. MELTON | THOMAS |
| 198. GANZE | THOMPSON |
| 199. MICHELLE | TODD |
| 200. ADVIRA | TOMLINSON-JACKSON |
| 201. ELLIS | TULLOCH |
| 202. HYACINTH | VINCENT |
| 203. ORRETT | WALFALL |
| 204. OPHELIA | WALTERS |
| 205. JOY | WATKIS |
| 206. GARFIELD | WATT |
| 207. MICHAEL | WELLESLEY |
| 208. EARL | WHYTE |
| 209. KENISHA | WHYTE |
| 210. LOLAND | WHYTE |
| 211. EARL | WHYTE |
| 212. RALSTON | WILKIE |
| 213. MICHEAL | WILKS |
| 214. DOROTHY | WILLIAMS |
| 215. WALFORD | WILLIAMS |
| 216. DELROY | WILLIAMS |
| 217. SYLVIA | WILLIAMS |
| 218. VERONICA | WILLIAMS |
| 219. CHRISTOPHER | WILLIAMS |
| 210. MYRTLE | WILLIAMS |
| 211. MARJORIE | WILSON |
| 212. DONNA | WOODFINE |
| 213. ANTHONY | WRIGHT |
| 214. CAVEL | WRIGHT |
| 215. RALPH | WRIGHT |





DEPARTMENT OF CO-OPERATIVES & FRIENDLY SOCIETIES
(An agency of the Ministry of Industry, Investment and 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/-917/04/14

April 23, 2014

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

Dear Sir/Madam,

This letter supersedes letter dated March 31, 2014, (Reference number R325/-702/03/14). I forward herewith the Financial Statements of your Society for the year ended December 31, 2013.

In light of the continued recovery and stabilization efforts by the Credit Union to increase its capital base, I hereby direct that no portion of the surplus should be disturbed.

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,

Errol Gallimore
REGISTRAR OF CO-OPERATIVE SOCIETIES
AND FRIENDLY SOCIETIES

ANNUAL REPORT 2013



COK has a solution for almost every financial need you may have. So make us your financial partner for life!



HEAD OFFICE: 66 Slipe Road, Kingston 5, Fax: 929-4028 || **HWT:** Units 9 & 10, Winchester Business Centre, 15 Hope Rd., Kingston 10. Fax: 926-4631 || **CROSS ROADS:** 70 Slipe Road, Kingston 5. Fax: 926-0222 || **PORTMORE:** Shop #3 McMaster Centre, Portmore. Fax: 988-5157 || **MANDEVILLE:** Units 1, 2 & 8 Mandeville Plaza, Mandeville. Fax: 962-0885 || **MONTEGO BAY:** 40 Market Street, Montego Bay. Fax: 952-1334 || **CALL:** 1-876-960-1 CAN (960-4226) || **WEBSITE:** www.cokcu.com, EMAIL: contactus@cokcu.com ||





COK SODALITY CO-OPERATIVE CREDIT UNION LTD.

Invest in your future today!

ANNUAL REPORT 2013

FINANCIAL STATEMENTS

December 31 2013





KPMG
Chartered Accountants
Unit #14, Fairview Office Park
Alice Eldemire Drive
Montego Bay
Jamaica, W.I.

P.O. Box 220
Montego Bay
Jamaica, W.I.
Telephone +1 (876) 684-9922
Fax +1 (876) 684-9927
e-Mail firmmail@kpmg.com.jm

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 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, 2013, 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 and fair presentation of the financial statements 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.

KPMG, a Jamaican partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

R. Tarun Handa
Patricia O. Dailly-Smith
Lintroy J. Marshall
Cynthia L. Lawrence
Rajan Trehan

Norman O. Rainford
Nigel R. Chambers
W. Gihan C. de Mel
Nyssa A. Johnson





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, 2013, and of the group's and co-operative's financial performance, changes in equity 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

In our opinion, proper accounting records have been maintained 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.

KPMG

Chartered Accountants
Kingston, Jamaica

March 31, 2014

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

Statement of Financial Position
December 31, 2013

| | Note | Group | | |
|--|-------|------------------|-------------------------------|-------------------------------|
| | | 2013 \$'000 | 2012 \$'000 (Restated)* | 2011 \$'000 (Restated)* |
| ASSETS | | | | |
| Earning assets: | | | | |
| Loans to members | 4 | 4,600,561 | 4,125,625 | 3,454,095 |
| Credit card advances | | 25,472 | 32,775 | 35,247 |
| Less allowance for loan loss | 5 | (110,733) | (120,114) | (109,344) |
| | 4(b) | 4,515,300 | 4,038,286 | 3,379,998 |
| Liquid assets | 6 | 876,844 | 1,081,200 | 1,634,643 |
| Financial investments | 7 | 976,984 | 1,208,224 | 1,136,917 |
| Total earning assets | | 6,369,128 | 6,327,710 | 6,151,558 |
| Non-earning assets: | | | | |
| Liquid assets | 8 | 112,910 | 85,774 | 114,433 |
| Other assets | 9 | 262,967 | 282,069 | 356,154 |
| Employee benefits asset | 10 | 97,806 | 109,674 | 86,973 |
| Property, plant and equipment | 11 | 231,043 | 256,272 | 271,644 |
| Properties held-for-sale | 12 | - | 1,350 | 95,723 |
| Intangible asset | 13 | 21,007 | 14,006 | 21,430 |
| Investment in associate | 14(b) | 22,455 | 24,844 | 24,168 |
| Total non-earning assets | | 748,188 | 773,989 | 970,525 |
| TOTAL ASSETS | | 7,117,316 | 7,101,699 | 7,122,083 |
| LIABILITIES | | | | |
| Interest bearing liabilities: | | | | |
| Savings deposits | 15 | 4,062,005 | 4,045,737 | 3,999,850 |
| Voluntary shares | 16 | 2,185,326 | 2,167,227 | 2,171,081 |
| Deferred shares | 17 | 300,000 | 300,000 | 300,000 |
| External credits | 18 | 47,146 | 43,769 | 51,605 |
| Total interest-bearing liabilities | | 6,594,477 | 6,556,733 | 6,522,536 |
| Non-interest bearing liabilities: | | | | |
| Payables and accruals | 19 | 177,104 | 204,895 | 162,046 |
| Other liabilities | 20 | 8,013 | 11,170 | 11,918 |
| Total non-interest bearing liabilities | | 185,117 | 216,065 | 173,964 |
| Total liabilities | | 6,779,594 | 6,772,798 | 6,696,500 |
| EQUITY | | | | |
| Permanent shares | 21 | 380,613 | 361,865 | 338,615 |
| Non-institutional capital | 22(a) | (609,086) | (610,981) | (517,728) |
| Institutional capital | 22(b) | 462,466 | 462,466 | 462,466 |
| Investment revaluation reserve | 23(a) | 5,923 | 5,877 | 9,382 |
| Loan loss reserve | 23(b) | - | - | 45,875 |
| Pension reserve | 24 | 97,806 | 109,674 | 86,973 |
| Total equity | | 337,722 | 328,901 | 425,583 |
| TOTAL LIABILITIES AND EQUITY | | 7,117,316 | 7,101,699 | 7,122,083 |

The financial statements on pages 66 to 117, were approved for issue by the Board of Directors
On March 31, 2014 and signed on its behalf by:


C. Anglin Director


S. Pitterson Treasurer

* See note 37

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 Financial Position
December 31, 2013

| | Note | Co-operative | | |
|--|-------|------------------|-------------------------------|-------------------------------|
| | | 2013 \$'000 | 2012 \$'000 (Restated)* | 2011 \$'000 (Restated)* |
| ASSETS | | | | |
| Earning assets: | | | | |
| Loans to members | 4 | 4,600,561 | 4,125,625 | 3,454,095 |
| Credit card advances | | 25,472 | 32,775 | 35,247 |
| Less allowance for loan loss | 5 | (110,733) | (120,114) | (109,344) |
| | 4(b) | 4,515,300 | 4,038,286 | 3,379,998 |
| Liquid assets | 6 | 876,166 | 1,079,923 | 1,633,439 |
| Financial investments | 7 | 976,984 | 1,208,224 | 1,136,917 |
| Total earning assets | | 6,368,450 | 6,326,433 | 6,150,354 |
| Non-earning assets: | | | | |
| Liquid assets | 8 | 112,114 | 83,434 | 113,026 |
| Other assets | 9 | 270,903 | 292,143 | 363,343 |
| Employee benefits asset | 10 | 97,806 | 109,674 | 86,973 |
| Property, plant and equipment | 11 | 231,043 | 256,272 | 271,644 |
| Properties held-for-sale | 12 | - | 1,350 | 95,723 |
| Intangible asset | 13 | 21,007 | 14,006 | 21,430 |
| Interest in subsidiary | 14(b) | 1,000 | 1,000 | 1,000 |
| Investment in associate | 14(a) | 21,726 | 21,726 | 21,714 |
| Total non-earning assets | | 755,599 | 779,605 | 974,853 |
| TOTAL ASSETS | | 7,124,049 | 7,106,038 | 7,125,207 |
| LIABILITIES | | | | |
| Interest bearing liabilities: | | | | |
| Savings deposits | 15 | 4,062,005 | 4,045,737 | 3,999,850 |
| Voluntary shares | 16 | 2,185,326 | 2,167,227 | 2,171,081 |
| Deferred shares | 17 | 300,000 | 300,000 | 300,000 |
| External credits | 18 | 47,146 | 43,769 | 51,605 |
| Total interest-bearing liabilities | | 6,594,477 | 6,556,733 | 6,522,536 |
| Non-interest bearing liabilities: | | | | |
| Payables and accruals | 19 | 174,600 | 203,245 | 160,226 |
| Other liabilities | 20 | 8,013 | 11,170 | 11,918 |
| Total non-interest bearing liabilities | | 182,613 | 214,415 | 172,144 |
| Total liabilities | | 6,777,090 | 6,771,148 | 6,694,680 |
| EQUITY | | | | |
| Permanent shares | 21 | 380,613 | 361,865 | 338,615 |
| Non-institutional capital | 22(a) | (599,849) | (604,992) | (512,784) |
| Institutional capital | 22(b) | 462,466 | 462,466 | 462,466 |
| Investment revaluation reserve | 23(a) | 5,923 | 5,877 | 9,382 |
| Loan loss reserve | 23(b) | - | - | 45,875 |
| Pension reserve | 24 | 97,806 | 109,674 | 86,973 |
| Total equity | | 346,959 | 334,890 | 430,527 |
| TOTAL LIABILITIES AND EQUITY | | 7,124,049 | 7,106,038 | 7,125,207 |

The financial statements on pages 66 to 117, were approved for issue by the Board of Directors
On March 31, 2014 and signed on its behalf by:


C. Anglin Director


S. Pitterson Treasurer

* See note 37

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, 2013

| | Note | Group | | Co-operative | |
|--|------|------------------|-------------------------------|------------------|-------------------------------|
| | | 2013 \$'000 | 2012 \$'000 (Restated)* | 2013 \$'000 | 2012 \$'000 (Restated)* |
| Interest income: | | | | | |
| Loans to members | | 648,885 | 564,577 | 648,885 | 564,577 |
| Investments and deposits | | <u>145,622</u> | <u>196,507</u> | <u>145,577</u> | <u>196,454</u> |
| | | <u>794,507</u> | <u>761,084</u> | <u>794,462</u> | <u>761,031</u> |
| Interest expense: | | | | | |
| Members' deposits | | (160,211) | (196,241) | (160,211) | (196,241) |
| External credits | | <u>(50,679)</u> | <u>(14,259)</u> | <u>(50,679)</u> | <u>(14,259)</u> |
| | | <u>(210,890)</u> | <u>(210,500)</u> | <u>(210,890)</u> | <u>210,500</u> |
| Net interest income | | 583,617 | 550,584 | 583,572 | 550,531 |
| Provisions for losses: | | | | | |
| Loans to members | 5 | (40,667) | (91,324) | (40,667) | (91,324) |
| Interest receivable | 9 | 1,065 | 9,875 | 1,065 | 9,875 |
| Other assets | 9 | <u>(11,761)</u> | <u>(19,763)</u> | <u>(11,761)</u> | <u>(19,763)</u> |
| Net interest income after write-offs and provision for losses | | 532,254 | 449,372 | 532,209 | 449,319 |
| Non-interest income/(expense): | | | | | |
| Other financial costs | 25 | (26,790) | (23,179) | (25,699) | (22,314) |
| Fees | | 164,125 | 129,745 | 163,518 | 129,364 |
| Foreign exchange trading remittance | | 2,110 | 1,053 | - | - |
| Gains on disposal of investments | | 3,802 | (155) | 3,802 | (155) |
| Dividends from equity investments | | 419 | 1,552 | 419 | 1,552 |
| Share of (loss)/profit of associate | | (323) | 664 | - | - |
| Other income | 26 | <u>123,439</u> | <u>119,236</u> | <u>123,458</u> | <u>119,326</u> |
| Gross margin | | 799,036 | 678,288 | 797,707 | 677,092 |
| Operating expenses | 27 | <u>(793,845)</u> | <u>(804,325)</u> | <u>(791,333)</u> | <u>(802,084)</u> |
| Surplus/(deficit) for the year | | <u>5,191</u> | <u>(126,037)</u> | <u>6,374</u> | <u>(124,992)</u> |
| Other comprehensive income/(loss): | | | | | |
| Item that will never be reclassified to profit or loss: | | | | | |
| Re-measurement (loss)/gain on employee benefits asset [note 10(e)] | | (16,369) | 11,014 | (16,369) | 11,014 |
| Item that is or may be reclassified to profit or loss: | | | | | |
| Change in fair value of available-for-sale financial assets | | <u>46</u> | <u>(3,505)</u> | <u>46</u> | <u>(3,505)</u> |
| Total other comprehensive (loss)/income | | <u>(16,323)</u> | <u>7,509</u> | <u>(16,323)</u> | <u>7,509</u> |
| Total comprehensive loss for the year | | <u>(11,132)</u> | <u>(118,528)</u> | <u>(9,949)</u> | <u>(117,483)</u> |

*See note 37

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
Year ended December 31, 2013

| | 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 [Note 23(b)] \$'000 | Pension reserve (Note 24) \$'000 | Total |
| Balances at December 31, 2011 as previously stated | 338,615 | (517,728) | 462,466 | 9,382 | 45,875 | 172,611 | 511,221 |
| Impact of change in accounting policy (note 37) | - | - | - | - | - | (85,638) | (85,638) |
| Balances at December 31, 2011, as restated | <u>338,615</u> | <u>(517,728)</u> | <u>462,466</u> | <u>9,382</u> | <u>45,875</u> | <u>86,973</u> | <u>425,583</u> |
| Total comprehensive income for the year | | | | | | | |
| Loss for the year as restated (note 37) | - | (126,037) | - | - | - | - | (126,037) |
| Other comprehensive income/(loss): | | | | | | | |
| Impact of change in accounting policy (note 37) | - | 11,014 | - | - | - | - | 11,014 |
| Change in fair value of investments | - | - | - | (3,505) | - | - | (3,505) |
| Total comprehensive loss for the year as restated | - | (115,023) | - | (3,505) | - | - | (118,528) |
| Transaction with owner, recorded directly in equity Contributions by and distributions to owners | | | | | | | |
| Amounts subscribed, net of refunds | 21,846 | - | - | - | - | - | 21,846 |
| Movements in reserves | | | | | | | |
| Transfer from permanent share capital reserves | 1,404 | (1,404) | - | - | - | - | - |
| Decrease in loan loss reserve | - | 45,875 | - | - | (45,875) | - | - |
| Transfer to pension reserve | - | (7,745) | - | - | - | 7,745 | - |
| Impact of change in accounting policy (note 37) | - | (14,956) | - | - | - | 14,956 | - |
| Total transactions with owners, as restated | <u>23,250</u> | <u>21,770</u> | <u>-</u> | <u>-</u> | <u>(45,875)</u> | <u>22,701</u> | <u>21,846</u> |
| Balances at December 31, 2012, as restated | <u>361,865</u> | <u>(610,981)</u> | <u>462,466</u> | <u>5,877</u> | <u>-</u> | <u>109,674</u> | <u>328,901</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, 2013

| | 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 |
| Balances at December 31, 2012, as restated | 361,865 | (610,981) | 462,466 | 5,877 | 109,674 | 328,901 |
| Total comprehensive income for the year: | | | | | | |
| Surplus for the year | - | 5,191 | - | - | - | 5,191 |
| 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 | - | (11,178) | - | 46 | - | (11,132) |
| Transaction with owner, recorded directly in equity Contributions by and distributions to owners | | | | | | |
| Amounts subscribed, net of refunds | 22,018 | - | - | - | - | 22,018 |
| Change in ownership interest | | | | | | |
| Reduction in interest in associate | - | (2,065) | - | - | - | (2,065) |
| 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 | 18,748 | 13,073 | - | - | (11,868) | 19,953 |
| Balances at December 31, 2013 | <u>380,613</u> | <u>(609,086)</u> | <u>462,466</u> | <u>5,923</u> | <u>97,806</u> | <u>337,722</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, 2013

| | 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 (Note 23(b)) \$'000 | Pension reserve (Note 24) \$'000 | Total |
| Balances at December 31, 2011, as previously stated | 338,615 | (512,784) | 462,466 | 9,382 | 45,875 | 172,611 | 516,165 |
| Impact of change in accounting policy (note 37) | - | - | - | - | - | (85,638) | (85,638) |
| Balances at December 31, 2011, as restated | <u>338,615</u> | <u>(512,784)</u> | <u>462,466</u> | <u>9,382</u> | <u>45,875</u> | <u>86,973</u> | <u>430,527</u> |
| Total comprehensive income for the year | | | | | | | |
| Loss for the year as restated (note 37) | - | (124,992) | - | - | - | - | (124,992) |
| Other comprehensive income/(loss): | | | | | | | |
| Impact of change in accounting policy (note 37) | - | 11,014 | - | - | - | - | 11,014 |
| Change in fair value of investments | - | - | - | (3,505) | - | - | (3,505) |
| Total comprehensive loss for the year as restated | - | (113,978) | - | (3,505) | - | - | (117,483) |
| Transaction with owner, recorded directly in equity Contributions by and distributions to owners | | | | | | | |
| Amounts subscribed, net of refunds | 21,846 | - | - | - | - | - | 21,846 |
| Movements in reserves | | | | | | | |
| Transfer from permanent share capital reserves | 1,404 | (1,404) | - | - | - | - | - |
| Decrease in loan loss reserve | - | 45,875 | - | - | (45,875) | - | - |
| Transfer to pension reserve | - | (7,745) | - | - | - | 7,745 | - |
| Impact of change in accounting policy (note 37) | - | (14,956) | - | - | - | 14,956 | - |
| Total transactions with owners, as restated | <u>23,250</u> | <u>21,770</u> | <u>-</u> | <u>-</u> | <u>(45,875)</u> | <u>22,701</u> | <u>21,846</u> |
| Balances at December 31, 2012, as restated | <u>361,865</u> | <u>(604,992)</u> | <u>462,466</u> | <u>5,877</u> | <u>-</u> | <u>109,674</u> | <u>334,890</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, 2013

| | 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 | Pension reserve (Note 24) \$'000 | Total \$'000 |
| Balances at December 31, 2012, as restated | 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 income/(loss): | | | | | | |
| 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) |
| Transaction with owner, 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 | 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)

Statement of Changes in Equity (Continued)
Year ended December 31, 2013

| Group | Non-Institutional Capital | | | |
|--|---|---|--------------------------------------|------------------------|
| | <u>Prior undivided earnings</u> [Note 22(a)(ii)] \$`000 | <u>Permanent share capital reserves</u> [Note 22(a)] \$`000 | <u>Accumulated deficit</u> \$`000 | <u>Total</u> \$`000 |
| Group | | | | |
| Balances at December 31, 2011 | (180,000) | 1,629 | (339,357) | (517,728) |
| Loss for the year, as restated | - | - | (126,037) | (126,037) |
| Other comprehensive income | | | | |
| Impact of change in accounting policy (note 37) | - | - | 11,014 | 11,014 |
| Transfer to pension reserve | - | - | (7,745) | (7,745) |
| Impact of change in accounting policy (note 37) | - | - | (14,956) | (14,956) |
| Allocated to members | - | (1,404) | - | (1,404) |
| Decrease in loan loss reserve | - | - | <u>45,875</u> | <u>45,875</u> |
| Balances at December 31, 2012 | (180,000) | 225 | (431,206) | (610,981) |
| Change in share of associate equity | - | - | (2,065) | (2,065) |
| Allocated to members | - | 3,270 | - | 3,270 |
| Profit for the year | - | - | 5,191 | 5,191 |
| Transfer to pension reserve | - | - | 11,868 | 11,868 |
| Decrease in loan loss reserve | - | - | <u>(16,369)</u> | <u>(16,369)</u> |
| Balances at December 31, 2013 | <u>(180,000)</u> | <u>3,495</u> | <u>(432,581)</u> | <u>(609,086)</u> |
| Co-operative | | | | |
| Balances at December 31, 2011 | (180,000) | 1,629 | (334,413) | (512,784) |
| Loss for the year, as restated | - | - | (124,992) | (124,992) |
| Other comprehensive income | | | | |
| Impact of change in accounting policy (note 37) | - | - | 11,014 | 11,014 |
| Transfer to pension reserve as previously stated | - | - | (7,745) | (7,745) |
| Impact of change in accounting Policy (note 37) | - | - | (14,956) | (14,956) |
| Allocated to members | - | (1,404) | - | (1,404) |
| Decrease in loan loss reserve | - | - | <u>45,875</u> | <u>45,875</u> |
| Balances at December 31, 2012 | (180,000) | 225 | (425,217) | (604,992) |
| Allocated to members | - | 3,270 | - | 3,270 |
| Profit for the year | - | - | 6,374 | 6,374 |
| Transfer to pension reserve | - | - | 11,868 | 11,868 |
| Re measurement of employee benefit | - | - | <u>(16,369)</u> | <u>(16,369)</u> |
| Balances at December 31, 2013 | <u>(180,000)</u> | <u>3,495</u> | <u>(423,344)</u> | <u>(599,849)</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, 2013

| | <u>Group</u> | | <u>Co-operative</u> | |
|--|-------------------|-------------------|---------------------|-------------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash flows from operating activities: | | | | |
| Surplus/(loss) for the year | 5,191 | (126,037) | 6,374 | (124,992) |
| Adjustments for: | | | | |
| Interest income | (794,507) | (761,084) | (794,462) | (761,031) |
| Interest expense | 210,890 | 210,500 | 210,890 | 210,500 |
| Depreciation and amortisation | 50,107 | 51,026 | 50,107 | 51,026 |
| Employee benefits asset | 7,122 | 1,703 | 7,122 | 1,703 |
| Provision for loan and other losses | 49,733 | 101,211 | 49,733 | 101,211 |
| Share of profit/(loss) of associate | <u>323</u> | <u>(664)</u> | <u>-</u> | <u>-</u> |
| | (471,141) | (523,345) | (470,236) | (521,583) |
| Changes in operating assets and liabilities | | | | |
| Loans to members | (704,744) | (947,804) | (704,744) | (947,804) |
| Credit card advances | 7,303 | 2,472 | 7,303 | 2,472 |
| Saving deposits | 1,508 | 27,643 | 1,508 | 27,643 |
| Other assets | 11,386 | 63,513 | 13,524 | 60,628 |
| Non-interest bearing liabilities | (30,947) | 42,101 | (31,802) | 42,271 |
| Voluntary shares | 18,099 | (3,854) | 18,099 | (3,854) |
| Borrowings (external credit) | <u>5,000</u> | <u>-</u> | <u>5,000</u> | <u>-</u> |
| | (1,163,536) | (1,339,274) | (1,161,348) | (1,340,227) |
| Interest received | 994,386 | 986,242 | 994,321 | 986,168 |
| Interest paid | <u>(196,130)</u> | <u>(192,256)</u> | <u>(196,130)</u> | <u>(192,256)</u> |
| Net cash used by operating activities | <u>(365,280)</u> | <u>(545,288)</u> | <u>(363,157)</u> | <u>(546,315)</u> |
| Cash flows from investing activities: | | | | |
| Investment in debentures, shares and bonds | 211,166 | (103,565) | 211,186 | (103,544) |
| Interest in associate | - | (12) | - | (12) |
| Properties held for sale | - | 94,373 | - | 94,373 |
| Acquisition of intangible asset | (16,988) | (7,011) | (16,988) | (7,011) |
| Acquisition of property, plant and equipment | (14,891) | (21,219) | (14,891) | (21,219) |
| Pension contributions | <u>(11,622)</u> | <u>(13,390)</u> | <u>(11,622)</u> | <u>(13,390)</u> |
| Net cash provided/(used) in investing activities | <u>167,665</u> | <u>(50,824)</u> | <u>167,685</u> | <u>(50,803)</u> |
| Cash flows from financing activities: | | | | |
| Permanent shares | 22,018 | 21,846 | 22,018 | 21,846 |
| Repayment of borrowings | <u>(1,623)</u> | <u>(7,836)</u> | <u>(1,623)</u> | <u>(7,836)</u> |
| Net cash provided by financing activities | <u>20,395</u> | <u>14,010</u> | <u>20,395</u> | <u>14,010</u> |
| Decrease in liquid assets | (177,220) | (582,102) | (175,077) | (583,108) |
| Liquid assets at beginning of the year | <u>1,166,974</u> | <u>1,749,076</u> | <u>1,163,357</u> | <u>1,746,465</u> |
| Liquid assets at end of the year | <u>989,754</u> | <u>1,166,974</u> | <u>988,280</u> | <u>1,163,357</u> |
| Liquid assets – earning | 876,844 | 1,081,200 | 876,166 | 1,079,923 |
| Liquid assets – non-earning | <u>112,910</u> | <u>85,774</u> | <u>112,114</u> | <u>83,434</u> |
| | <u>989,754</u> | <u>1,166,974</u> | <u>988,280</u> | <u>1,163,357</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, 2013

1. Identification

- (a) City of Kingston Co-operative Credit Union Limited (the Society) is 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, 2013, the co-operative employed 119 (2012: 141) 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:

| | Principal Activity | Percentage Ownership | Country of Incorporation |
|---------------------------------|--|-----------------------------|---------------------------------|
| Subsidiary | | | |
| COK Remittance Services Limited | Remittance and Money Transfer Services | 100% | Jamaica |
| Associate | | | |
| Money Masters Limited | Investment broker | 19% (2012: 25%) | 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 and comply, in all material respects, with the provisions of the Co-operative Societies Act (the Act).

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

Notes to the financial statements (continued)
December 31, 2013

2. Basis of preparation (cont'd)

(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.

(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 when 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 estimate of 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.

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

Notes to the financial statements (continued)
December 31, 2013

2. Basis of preparation (cont'd)

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

(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 suggest 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.

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

The residual value and useful life 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 assets expected utility to the co-operative.

(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. Although the co-operative has reported a surplus for the year as at December 31, 2013, it has a significant deficit in non-institutional capital of \$600M (2012: \$605M) for the co-operative and \$609M (2012: \$611M) for the group. Nevertheless, JCCUL has guaranteed an amount of up to \$180M of non-institutional capital [note 22(a)(ii)], while institutional capital stands at \$462M (2012: \$462M) for the co-operative and the group, with total equity at \$347M (2012: \$335M) for the co-operative and \$338M (2012: \$329M) for the group. Additionally, the co-operative has a specific 3-year strategic plan to return to sustainable profitability, starting with calendar year 2013. The plans of the co-operative include, but are not limited to: i) increasing the higher yield loan portfolio from 57% to 70% loan to asset ratio, thereby, increasing interest income, ii) containing loan delinquency to an acceptable level of 5%, iii) reduce the level of operating expenses through various initiatives, including a staff rationalisation programme, iv) use the core banking system to significantly improve service delivery and process efficiency, and, v) increase permanent share compliance by approximately \$100M. 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, 2013

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, 2013. The nature and effects of the changes are as follows:

(i) *IFRS 10 Consolidated Financial Statements (2011)*

IFRS 10 introduces a new control model that focuses on whether the group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. The co-operative has reassessed the control conclusion in respect of its investees as at January 1, 2013. This has however, not resulted in any changes to the control conclusions previously determined.

(ii) *IFRS 12 Disclosure of Interests in Other Entities*

As a result of IFRS 12, the group expanded its disclosures about its interest in subsidiaries and equity-accounted investees (see note 14).

(iii) *IFRS 13 Fair Value Measurement*

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as 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. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. Consequently, the group has included disclosures in this regard (see note 35).

Notwithstanding the above, the change had no significant impact on the measurements of the group's assets and liabilities.

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

Notes to the financial statements (continued)
December 31, 2013

2. Basis of preparation (cont'd)

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

(iv) IAS 19, *Employee Benefits*

As a result of the adoption of IAS 19, *Employee Benefits (2011)*, the group has changed its accounting policy with respect to the basis for determining the income or expense related to its post-employment defined benefit plan.

As a result of the change, the group now determines the net interest expense on the net defined benefit liability 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 liability at the beginning of the annual period. Net interest also takes into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Actuarial gains and losses are now recognised immediately in other comprehensive income. Previously, the group recognised actuarial gains and losses using the corridor method, which required that any cumulative unrecognised gains or losses exceeding 10% of the present value of the benefit obligation were recognised in profit or loss over the expected average remaining working lives of the employees affected.

The change in policy is applied retrospectively (see note 37).

(v) Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)

As a result of the amendments to IAS 1, items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future are presented separately from those that will never be reclassified to profit or loss.

- (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:

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

Notes to the financial statements (continued)
December 31, 2013

2. Basis of preparation (cont'd)

- (f) New standards, and interpretations of and amendments to existing standards that are not yet effective:
- *IFRS 9, Financial Instruments*: The revised IFRS is effective for accounting periods beginning on or after January 1, 2017. The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The revised standard includes guidance on classification and measurement of financial liabilities designated as fair value through profit or loss and incorporates certain existing requirements of IAS 39 *Financial Instruments: Recognition and Measurement* on the recognition and de-recognition of financial assets and financial liabilities.
 - Amendments to IAS 36 *Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets*, which is effective for accounting periods beginning on or after January 1, 2014, reverse 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.
 - Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of interest in Other Entities* and IAS 27 *Consolidated and Separate Financial Statements* is effective for accounting periods beginning on or after January 1, 2014. The amendment 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*.
 - *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.

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

Notes to the financial statements (continued)
December 31, 2013

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 (cont'd):

- *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

- *IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets*. The standards have been amended to clarify that, at the date of revaluation:

- (i) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation (amortization) is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking account of accumulated impairment losses or
- (ii) the accumulated depreciation (amortization) is eliminated against the gross carrying amount of the asset.

- *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.

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

3. Significant accounting policies

(a) Basis of consolidation

(i) Subsidiary

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.

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

Notes to the financial statements (continued)
December 31, 2013

3. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(i) Subsidiary (cont'd)

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 group's financial statements include those of its wholly-owned subsidiary for the year ended December 31, 2013.

(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 associates 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 \$Nil 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 now ends on May 31 (previously, September 30) and, therefore, audited results as at September 30, 2013, were not available for inclusion in the consolidated financial statement at December 31, 2013. The share of profits included in the consolidated financial statements is based on the unaudited results at December 31, 2013 [see details in note 14(a)]. The interest in associate is carried at cost in the co-operative.

(b) Property, plant and equipment

(i) Measurement:

Items of property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses [see note 3 (j)]. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of material and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use.

(ii) Subsequent costs:

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

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

Notes to the financial statements (continued)
December 31, 2013

3. Significant accounting policies (cont'd)

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

(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 or 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 co-operative 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 rate 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 securities costs.

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 flow. 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.

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

Notes to the financial statements (continued)
December 31, 2013

3. Significant accounting policies (cont'd)

(d) Resale agreements

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 loss

An allowance for loan loss 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 loss 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 loss to be stipulated percentages of total delinquent loans, the percentage varying with the period of delinquency, without considering securities held against such loans.

The allowance for loan loss 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 Sodality Co-operative Credit Union Limited
(A Society Registered Under the Co-operative Societies Act)

Notes to the financial statements (continued)
December 31, 2013

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 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, other than loans to members [see note 3(e)], 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 net selling price 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
(A Society Registered Under the Co-operative Societies Act)

Notes to the financial statements (continued)
December 31, 2013

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.

(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.

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

Notes to the financial statements (continued)
December 31, 2013

3. Significant accounting policies (cont'd)

(n) Employee benefits (cont'd)

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.

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

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 liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The group determines the net interest expense/(income) on the net defined benefit liability/(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 then-net defined benefit liability/(asset), taking into account any changes in the net defined benefit liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans 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.

(o) League fees and stabilisation dues

JCCUL has determined the rate of calculating League fees at 0.2% (2012: 0.225%) 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 0.35% (2012: 0.35%) of savings funds.

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

Notes to the financial statements (continued)
December 31, 2013

3. Significant accounting policies (cont'd)

(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>2013</u> | <u>2012</u> |
| | \$'000 | \$'000 |
| Balance at beginning of the year | 4,125,625 | 3,454,095 |
| Loans granted | <u>2,662,383</u> | <u>3,053,324</u> |
| | 6,788,008 | 6,507,419 |
| Less repayments and transfers | (2,187,447) | (2,381,794) |
| Balance at end of the year | <u>4,600,561</u> | <u>4,125,625</u> |

(a) Delinquent loans:

| <u>Period overdue</u> | <u>2013</u> | | | |
|-----------------------|--------------------------|-------------------------|----------------------|--|
| | <u>Number in arrears</u> | <u>Loans in arrears</u> | <u>Provision (%)</u> | <u>PEARLS Loan loss provision required</u> |
| | | \$'000 | | \$'000 |
| 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>108,489</u> |

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

Notes to the financial statements (continued)
December 31, 2013

4. Loans to members (cont'd)

(a) Delinquent loans (cont'd):

| 2012 | | | | |
|-----------------------|------------------------------|---------------------------------------|--------------------------|--|
| <u>Period overdue</u> | <u>Number in arrears</u> | <u>Loans in arrears</u> \$'000 | <u>Provision (%)</u> | <u>PEARLS Loan loss provision required</u> \$'000 |
| 1 – 2 months | 2,764 | 236,874 | - | - |
| 2 – 3 months | 705 | 27,562 | 10 | 2,756 |
| 3 – 6 months | 712 | 63,566 | 30 | 19,070 |
| 6 – 12 months | 794 | 63,891 | 60 | 38,335 |
| Over 12 months | <u>429</u> | <u>55,174</u> | 100 | <u>55,174</u> |
| | <u>5,404</u> | <u>447,067</u> | | <u>115,335</u> |

The value of chattels held as security against outstanding loans has not been taken into account in estimating irrecoverable loans.

The directors' estimate the value of these chattels to be in excess of \$130,340,000 (2012: \$685,000,000).

Delinquent loans and advances on which interest is no longer accrued amounted to \$191,180,000 (2012: \$182,631,000) as at year-end.

Loans in arrears include delinquent credit cards of \$7,106,000 (2012: \$9,813,000) in respect of which a provision of \$5,198,000 (2012: \$7,775,000) has been made.

(b) Loans and credit card advances, net of allowance for loan losses, are due from December 31, 2013 as follows:

| | <u>Group and Co-operative</u> | |
|-------------------------|-------------------------------|-----------------------|
| | <u>2013</u> \$'000 | <u>2012</u> \$'000 |
| Within 3 months | 76,161 | 102,708 |
| From 3 months to 1 year | 232,888 | 240,468 |
| From 1 year to 10 years | <u>4,206,251</u> | <u>3,695,110</u> |
| | <u>4,515,300</u> | <u>4,038,286</u> |

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

Notes to the financial statements (continued)
December 31, 2013

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>2013</u> | <u>2012</u> |
| | \$'000 | \$'000 |
| Home equity | 1,014,081 | 861,209 |
| Mortgages | 831,066 | 503,150 |
| Motor vehicle | 1,027,672 | 1,108,051 |
| Loan within shares | 408,129 | 393,788 |
| Loan within deposits | 416,412 | 452,503 |
| Unsecured | 364,535 | 278,136 |
| Others | <u>453,405</u> | <u>441,449</u> |
| | <u>4,515,300</u> | <u>4,038,286</u> |

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

| | <u>Group and Co-operative</u> | |
|--------------------------------|-------------------------------|------------------|
| | <u>2013</u> | <u>2012</u> |
| | \$'000 | \$'000 |
| Neither past due nor impaired | 4,122,699 | 3,688,532 |
| Past due but not impaired: | | |
| 2 to 3 months | 246,614 | 157,324 |
| 3 to 6 months | 18,545 | 31,980 |
| 6 to 12 months | 29,264 | 22,289 |
| Over 12 months | 23,116 | 16,801 |
| Individually impaired | 185,795 | 241,474 |
| Less allowance for loan losses | (110,733) | (120,114) |
| | <u>4,515,300</u> | <u>4,038,286</u> |

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

| | <u>Group and Co-operative</u> | |
|------------------------------|-------------------------------|------------------|
| | <u>2013</u> | <u>2012</u> |
| | \$'000 | \$'000 |
| Neither past due or impaired | 4,412,339 | 4,291,296 |
| Past due but not impaired | 695,166 | 442,259 |
| Individually impaired | <u>105,346</u> | <u>146,247</u> |
| | <u>5,212,851</u> | <u>4,879,802</u> |

- (e) The value of renegotiated loans as at year end was \$33,356,000 (2012: \$24,898,000).

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

Notes to the financial statements (continued)
December 31, 2013

5. Allowance for loan loss

| | <u>Group and Co-operative</u> | |
|------------------------------------|-------------------------------|----------------|
| | <u>2013</u> | <u>2012</u> |
| | \$'000 | \$'000 |
| Balance at beginning of the year | 120,114 | 109,344 |
| Loans charged off | (50,048) | (80,554) |
| Increase in provision for the year | <u>40,667</u> | <u>91,324</u> |
| Balance at end of the year | <u>110,733</u> | <u>120,114</u> |

In accordance with JCCUL provisioning requirements, all the provision made is specific. In keeping with IFRS, had there been any general provision, it would have been included in loan loss reserve and treated as an appropriation of undistributed net income [note 23(b)].

6. Earning liquid assets

| | <u>Group</u> | | <u>Co-operative</u> | |
|--|----------------|------------------|---------------------|------------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Loans and receivables: | | | | |
| Government of Jamaica securities (< twelve months) | - | 199,730 | - | 199,730 |
| Resale agreements | 185,426 | 298,496 | 184,748 | 297,219 |
| Other investments | 95,500 | - | 95,500 | - |
| Short-term deposits | 546,061 | 513,562 | 546,061 | 513,562 |
| Available-for-sale investments: | | | | |
| Units held in unit trust | <u>49,857</u> | <u>69,412</u> | <u>49,857</u> | <u>69,412</u> |
| | <u>876,844</u> | <u>1,081,200</u> | <u>876,166</u> | <u>1,079,923</u> |

(ii) The fair value of securities held as collateral by the co-operative for resale agreements amounted to \$137,913,000 (2012: \$323,474,000). The fair value of securities held as collateral by the Group for resale agreements amounted to \$138,831,000 (2012: \$324,606,000).

(iii) Short-term deposits include deposits for the group and co-operative of \$41,253,000 (2012: \$40,344,000) made by corporate entities which are held as security for their employees' borrowings [note 18(ii)].

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

Notes to the financial statements (continued)
December 31, 2013

7. **Financial investments**

| | <u>Group and Co-operative</u> | |
|--|-------------------------------|------------------|
| | <u>2013</u> | <u>2012</u> |
| | \$'000 | \$'000 |
| Loans and receivables: | | |
| Government of Jamaica securities (> twelve months) | 828,052 | 915,697 |
| Corporate bonds | 93,000 | 113,000 |
| Other | <u>-</u> | <u>80,500</u> |
| | <u>921,052</u> | <u>1,109,197</u> |
| Available-for-sale: | | |
| US\$ Corporate bonds [US\$300,000 (2012: US\$800,000)] | 32,618 | 75,331 |
| Quoted shares | 2,112 | 2,494 |
| Unquoted shares (carried at cost) | <u>21,202</u> | <u>21,202</u> |
| | <u>55,932</u> | <u>99,027</u> |
| | <u>976,984</u> | <u>1,208,224</u> |

8. **Non-earning liquid assets**

| | <u>Group</u> | | <u>Co-operative</u> | |
|----------------------------|----------------|---------------|---------------------|---------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash and cash equivalents: | | | | |
| Cash floats | 56,887 | 45,746 | 56,887 | 45,746 |
| Bank accounts | <u>56,023</u> | <u>40,028</u> | <u>55,227</u> | <u>37,688</u> |
| | <u>112,910</u> | <u>85,774</u> | <u>112,114</u> | <u>83,434</u> |

9. **Other assets**

| | <u>Group</u> | | <u>Co-operative</u> | |
|--|------------------|------------------|---------------------|------------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Interest receivable - members' loans | 179,760 | 196,405 | 179,760 | 196,405 |
| - investments | 20,119 | 28,753 | 20,100 | 28,732 |
| Inputted interest – staff loans | 20,829 | 20,829 | 18,645 | 18,645 |
| Deferred expenditure [see (i) below] | 1,099 | 1,764 | 3,283 | 3,948 |
| Other receivables [see (ii) and (iii) below] | 117,055 | 109,924 | 130,932 | 125,477 |
| Withholding tax recoverable | 18,742 | 19,832 | 18,742 | 19,764 |
| Prepayments | 10,766 | 12,017 | 10,766 | 11,391 |
| Dishonoured cheques | 411 | 14 | 411 | 14 |
| Remittance receivable | <u>9,940</u> | <u>10,491</u> | <u>4,018</u> | <u>5,727</u> |
| | 378,721 | 400,029 | 386,657 | 410,103 |
| Less provision for losses [see (iv) below] | <u>(115,754)</u> | <u>(117,960)</u> | <u>(115,754)</u> | <u>(117,960)</u> |
| | <u>262,967</u> | <u>282,069</u> | <u>270,903</u> | <u>292,143</u> |

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

Notes to the financial statements (continued)
December 31, 2013

9. Other assets (cont'd)

- (i) Deferred expenditure includes deposits on capital assets [note 32(b)] totalling \$358,000 (2012: \$593,000).
- (ii) Other receivables included \$58,202,000 (2012: \$56,542,000), being balance receivable from a cambio trading partner for defaults on amounts due. The increase in the amount over the prior period is primarily due to the shortfall in the expected recoverable amount realised from the actual sale proceeds of the real properties held as collateral during 2012 [note 12(i)]. Efforts to recover the outstanding amounts are diligently being pursued and are at an advance 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.

Based on the foregoing, it is management's opinion that it is highly probable that the Co-operative will successfully recover the amounts due and therefore, no provision is considered necessary in this regard.

- (ii) 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 2013 financial year.
- (iii) Other assets are shown net of provision for losses as follows:

| | <u>Group and Co-operative</u> | |
|---|-------------------------------|----------------|
| | <u>2013</u> | <u>2012</u> |
| | \$`000 | \$`000 |
| Balance at the beginning of the year | 117,960 | 128,119 |
| Provision made/(recovered) during the year: | | |
| Interest receivable | (1,065) | (9,875) |
| Other receivables | 12,449 | 19,763 |
| Amounts written off | (13,590) | (20,047) |
| Balance at end of the year | <u>115,754</u> | <u>117,960</u> |

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

Notes to the financial statements (continued)
December 31, 2013

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>2013</u> | <u>2012</u> |
| | \$`000 | \$`000 |
| | | (Restated)* |
| Present value of funded obligations | (211,320) | (216,368) |
| Fair value of pension plan assets | <u>309,126</u> | <u>326,042</u> |
| Asset recognised in statement of financial position | <u>97,806</u> | <u>109,674</u> |

(b) Movements in the present value of funded obligations are as follows:

| | <u>Group and Co-operative</u> | |
|--|-------------------------------|------------------|
| | <u>2013</u> | <u>2012</u> |
| | \$`000 | \$`000 |
| | | (Restated)* |
| Balance at beginning of the year | (216,368) | (221,979) |
| Benefits paid | 10,920 | 9,004 |
| Service and interest costs | (39,799) | (43,231) |
| Settlement paid | 9,741 | - |
| Effect of curtailment | 12,447 | - |
| Actuarial gain – experience adjustments | 12,098 | 15,825 |
| Actuarial loss – change in financial assumptions | (359) | <u>24,013</u> |
| Balance at end of the year | <u>(211,320)</u> | <u>(216,368)</u> |

* See note 37

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

Notes to the financial statements (continued)
December 31, 2013

10. Employee benefits (cont'd)

(c) Movements in plan assets:

| | <u>Group and Co-operative</u> | |
|--|-------------------------------|----------------|
| | <u>2013</u> | <u>2012</u> |
| | \$'000 | \$'000 |
| Fair value of plan assets at beginning of the year | 326,042 | 308,952 |
| Contributions paid | 21,437 | 24,747 |
| Return on plan assets | 34,275 | 31,690 |
| Benefits paid | (10,920) | (9,004) |
| Administrative expense | (1,448) | (1,519) |
| Settlement paid | (9,741) | - |
| Effect of curtailment | (22,410) | - |
| Re-measurement loss on plan assets | (28,109) | (28,824) |
| Fair value of plan assets at end of the year | <u>309,126</u> | <u>326,042</u> |
| Plan assets consist of the following: | | |
| Equities | 7,049 | 8,931 |
| Fixed income securities | 247,458 | 256,480 |
| Real estate | 48,450 | 52,694 |
| Other | <u>6,169</u> | <u>7,937</u> |
| | <u>309,126</u> | <u>326,042</u> |

(d) Expense recognised in profit or loss:

| | <u>Group and Co-operative</u> | |
|----------------------------------|-------------------------------|--------------|
| | <u>2013</u> | <u>2012</u> |
| | \$'000 | \$'000 |
| Current service costs | 7,836 | 9004 |
| Interest on obligation | 22,149 | 22,870 |
| Interest income on plan assets | (34,275) | (31,690) |
| Administrative expenses | 1,448 | 1,519 |
| Effect of settlement/curtailment | <u>9,964</u> | <u>-</u> |
| | <u>7,122</u> | <u>1,703</u> |

(e) Actual loss/(gain) recognised in other comprehensive income:

| | <u>Group and Co-operative</u> | |
|------------------------------------|-------------------------------|-----------------|
| | <u>2013</u> | <u>2012</u> |
| | \$'000 | \$'000 |
| Re-measurement gain on obligation | (11,740) | (39,838) |
| Re-measurement loss on plan assets | <u>28,109</u> | <u>28,824</u> |
| | <u>16,369</u> | <u>(11,014)</u> |

COK SODALITY CO-OPERATIVE CREDIT UNION LIMITED
(A Society Registered Under the Co-operative Societies Act)

Notes to the financial statements (continued)
December 31, 2013

10. Employee benefits (cont'd)

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

| | <u>Group and Co-operative</u> | |
|-------------------------|-------------------------------|-------------|
| | <u>2013</u> | <u>2012</u> |
| | % | % |
| Discount rate | 9.50 | 10.50 |
| Future salary increases | 6.50 | 8.00 |
| Price inflation | 5.50 | 6.00 |
| Pension increases | <u>2.75</u> | <u>3.00</u> |

At December 31, 2013, the weighted average duration of the defined benefit obligation was 20.1 years (2012: 21.4 years).

- (g) 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>2013</u> | | <u>2012</u> | |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| | 1% | 1% | 1% | 1% |
| | increase | decrease | increase | decrease |
| Discount rate | (35,214) | 48,119 | (37,956) | 52,063 |
| Future salary increase | 27,016 | (21,719) | 31,512 | (25,390) |
| Future pension increases | <u>16,745</u> | <u>(14,558)</u> | <u>15,656</u> | <u>(13,716)</u> |

- (h) 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 \$4.95M, while a decrease of one year in life expectancy will result in an equal but opposite effect.
- (i) The estimated pension contributions expected to be paid into the plan during the next financial year is \$10,890,000 (2012: \$13,170,000).

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

Notes to the financial statements (continued)
December 31, 2013

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, 2011 | 213,904 | 355 | 179,528 | 78,626 | 472,413 |
| Additions | 4,962 | - | 12,899 | 3,358 | 21,219 |
| Disposals | <u>-</u> | <u>-</u> | <u>-</u> | <u>(98)</u> | <u>(98)</u> |
| 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 | <u>219,215</u> | <u>-</u> | <u>199,847</u> | <u>89,008</u> | <u>508,070</u> |
| Depreciation: | | | | | |
| January 1, 2012 | 45,849 | 355 | 86,077 | 68,488 | 200,769 |
| Charge for the year | 9,912 | - | 20,590 | 6,089 | 36,591 |
| Eliminated on disposals | <u>-</u> | <u>-</u> | <u>-</u> | <u>(98)</u> | <u>(98)</u> |
| December 31, 2012 | 55,761 | 355 | 106,667 | 74,479 | 237,262 |
| Charge for the year | 10,064 | - | 23,708 | 6,348 | 40,120 |
| Eliminated on disposals | <u>-</u> | <u>(355)</u> | <u>-</u> | <u>-</u> | <u>(355)</u> |
| December 31, 2013 | <u>65,825</u> | <u>-</u> | <u>130,375</u> | <u>80,827</u> | <u>277,027</u> |
| Net book values: | | | | | |
| 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 (2012: \$11,569,000).

12. Properties held-for-sale

| | <u>Group and Co-operative</u> | |
|--------------------------------------|-------------------------------|-----------------------|
| | <u>2013</u> \$'000 | <u>2012</u> \$'000 |
| Foreclosed properties (i) | 2,775 | 4,817 |
| Less allowance for impairment losses | <u>(2,775)</u> | <u>(3,467)</u> |
| | <u>-</u> | <u>1,350</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.

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

Notes to the financial statements (continued)
December 31, 2013

13. Intangible asset

Software

| | <u>Group and Co-operative</u> | | |
|-------------------------------|-------------------------------|-------------------------------|---------------------------------|
| | <u>Cost</u> \$'000 | <u>Depreciation</u> \$'000 | <u>Net book value</u> \$'000 |
| Balance at December 31, 2011 | 118,840 | 97,410 | 21,430 |
| Additions/charge for the year | <u>7,011</u> | <u>14,435</u> | <u>(7,424)</u> |
| 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 | <u>142,839</u> | <u>121,832</u> | <u>21,007</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 (2012: \$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>2013</u> \$'000 | <u>2012</u> \$'000 | <u>2013</u> \$'000 | <u>2012</u> \$'000 |
| Shares in associate at cost | 21,726 | 21,726 | 21,726 | 21,726 |
| Share of reserves | <u>729</u> | <u>3,118</u> | <u>-</u> | <u>-</u> |
| | <u>22,455</u> | <u>24,844</u> | <u>21,726</u> | <u>21,726</u> |
| | | | <u>Group</u> | |
| | | | <u>2013</u> \$'000 | <u>2012</u> \$'000 |
| Non-current assets | | | 7,923 | 5,221 |
| Current assets | | | 1,584,076 | 1,398,626 |
| Non-current liabilities | | | (1,473,816) | (2,162) |
| Current liabilities | | | <u>-</u> | <u>(1,304,297)</u> |
| Net assets attributable to equity holders | | | <u>118,183</u> | <u>97,388</u> |
| Group share of net assets 19% (2012: 25.51%) | | | <u>22,455</u> | <u>24,844</u> |
| Revenue | | | 28,367 | 77,990 |
| Administrative expense | | | (30,067) | (75,389) |
| Net (loss)/profit from continuing operations | | | <u>(1,700)</u> | <u>2,601</u> |
| Group's share of (loss)/profit from continuing operations | | | <u>(323)</u> | <u>664</u> |

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.

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

Notes to the financial statements (continued)
December 31, 2013

15. Savings deposits

| | <u>Group and Co-operative</u> | |
|----------------------------------|-------------------------------|--------------------|
| | <u>2013</u> | <u>2012</u> |
| | \$'000 | \$'000 |
| Balance at beginning of the year | 4,045,737 | 3,999,850 |
| Add new deposits | <u>3,312,094</u> | <u>3,151,983</u> |
| | 7,357,831 | 7,151,833 |
| Less withdrawals and transfers | <u>(3,295,827)</u> | <u>(3,106,096)</u> |
| Balance at end of the year | <u>4,062,005</u> | <u>4,045,737</u> |

16. Voluntary shares

| | <u>Group and Co-operative</u> | |
|--------------------------------|-------------------------------|--------------------|
| | <u>2013</u> | <u>2012</u> |
| | \$'000 | \$'000 |
| Balance at beginning of year | 2,167,227 | 2,171,081 |
| Add amount subscribed | <u>2,561,847</u> | <u>2,561,847</u> |
| | 4,729,074 | 4,732,928 |
| Less withdrawals and transfers | <u>(2,543,748)</u> | <u>(2,565,701)</u> |
| Balance at end of year | <u>2,185,326</u> | <u>2,167,227</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 and they are not withdrawable before May 2016. They carry 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(f)].

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

Notes to the financial statements (continued)
December 31, 2013

18. External credits

| | <u>Group and Co-operative</u> | |
|---|-------------------------------|---------------|
| | <u>2013</u> | <u>2012</u> |
| | <u>\$`000</u> | <u>\$`000</u> |
| NIF/SME Loans (i) | 5,893 | 3,425 |
| Fixed deposits held for corporates (ii) | <u>41,253</u> | <u>40,344</u> |
| | <u>47,146</u> | <u>43,769</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 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.

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

| | <u>Group and Co-operative</u> | |
|-----------------------------|-------------------------------|---------------|
| | <u>2013</u> | <u>2012</u> |
| | <u>\$`000</u> | <u>\$`000</u> |
| Amounts due within one year | 43,785 | 42,876 |
| Amounts due after one year | <u>3,361</u> | <u>893</u> |
| | <u>47,146</u> | <u>43,769</u> |

19. Payables and accruals

| | <u>Group</u> | | <u>Co-operative</u> | |
|----------------------------|----------------|----------------|---------------------|----------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| | <u>\$`000</u> | <u>\$`000</u> | <u>\$`000</u> | <u>\$`000</u> |
| (a) Payables: | | | | |
| Other payables (i) | 36,715 | 60,647 | 34,631 | 59,417 |
| Standing order payments | 75,309 | 75,122 | 75,309 | 75,122 |
| Advance loans and interest | <u>23,670</u> | <u>20,482</u> | <u>23,670</u> | <u>20,482</u> |
| | <u>135,694</u> | <u>156,251</u> | <u>133,610</u> | <u>155,021</u> |
| (b) Accruals: | | | | |
| Interest payable | 14,760 | 18,244 | 14,760 | 18,244 |
| Withholding tax payable | 2,760 | 3,091 | 2,760 | 3,091 |
| Other accruals | <u>23,890</u> | <u>27,309</u> | <u>23,470</u> | <u>26,889</u> |
| | <u>41,410</u> | <u>48,644</u> | <u>40,990</u> | <u>48,224</u> |
| | <u>177,104</u> | <u>204,895</u> | <u>174,600</u> | <u>203,245</u> |

- (i) Other payables include an amount of \$Nil (2012: \$15,544,000) due to the Retirement Scheme for Members of the City of Kingston Co-operative Credit Union (the scheme). This amount was non-interest bearing and payable over 12 months. The payment was being made to the scheme to fund the deficit resulting from an actuarial valuation done as at December 31, 2011. The main purpose of the actuarial valuation was to determine the funded status of the scheme to facilitate a change from "credited interest" to a unitised scheme effective January 1, 2012. The amount was fully paid during the year and the co-operative has no further obligations to the scheme.

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

Notes to the financial statements (continued)
December 31, 2013

20. Other liabilities

| | <u>Group and Co-operative</u> | |
|----------------------|-------------------------------|---------------|
| | <u>2013</u> | <u>2012</u> |
| | \$`000 | \$`000 |
| Social outreach | 2 | 2 |
| Unallocated receipts | 6,152 | 10,105 |
| Stale-dated cheques | <u>1,859</u> | <u>1,063</u> |
| | <u>8,013</u> | <u>11,170</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, 2013, 150,878 (2012: 109,319) members had not yet met this requirement.

22. Non-institutional and institutional capital

(a) Non-institutional capital

| | <u>Group</u> | | <u>Co-operative</u> | |
|-------------------------------------|------------------|------------------|---------------------|------------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| | \$`000 | \$`000 | \$`000 | \$`000 |
| Permanent share capital reserve (i) | 3,495 | 225 | 3,495 | 225 |
| Prior undivided earnings (ii) | (180,000) | (180,000) | (180,000) | (180,000) |
| Minority Interest –MML | 729 | - | - | - |
| Accumulated deficit | <u>(433,310)</u> | <u>(431,206)</u> | <u>(423,344)</u> | <u>(425,217)</u> |
| | <u>(609,086)</u> | <u>(610,981)</u> | <u>(599,849)</u> | <u>(604,992)</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 \$3,270,000 was transferred during the year ended December 31, 2013.

(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 and other receivables from members. The non-institutional capital of the co-operative as shown at year-end, 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.

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

Notes to the financial statements (continued)
 December 31, 2013

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

(b) Institutional capital

| | <u>Group and Co-operative</u> | |
|----------------------------------|-------------------------------|----------------|
| | <u>2013</u> | <u>2012</u> |
| | \$`000 | \$`000 |
| Statutory and legal reserves (i) | 194,451 | 194,451 |
| General reserves (ii) | <u>268,015</u> | <u>268,015</u> |
| | <u>462,466</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.

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

Notes to the financial statements (continued)
December 31, 2013

25. Other financial costs

| | <u>Group</u> | | <u>Co-operative</u> | |
|---|---------------|---------------|---------------------|---------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| | \$`000 | \$`000 | \$`000 | \$`000 |
| Expenses – debit/credit card | 3,072 | 1,134 | 3,072 | 1,134 |
| Expenses – remittance service | 884 | 678 | 69 | 29 |
| Remittance sub agent commission | 94 | 38 | - | - |
| Interest on overdraft | 4 | 17 | 4 | 17 |
| Bank charges | 5,240 | 5,647 | 5,058 | 5,469 |
| Cambio licence fees | 1,017 | 794 | 1,017 | 794 |
| Financial Services Commission licensing fee | 674 | 588 | 674 | 588 |
| Collections expenses | 565 | 807 | 565 | 807 |
| Loan broker expenses | 656 | 272 | 656 | 272 |
| Legal expenses | <u>14,584</u> | <u>13,204</u> | <u>14,584</u> | <u>13,204</u> |
| | <u>26,790</u> | <u>23,179</u> | <u>25,699</u> | <u>22,314</u> |

26. Other income

| | <u>Group</u> | | <u>Co-operative</u> | |
|----------------------------|----------------|----------------|---------------------|----------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| | \$`000 | \$`000 | \$`000 | \$`000 |
| Remittance service | 5,578 | 5,016 | 5,578 | 5,016 |
| Visa credit card operation | 12,220 | 18,508 | 12,220 | 18,508 |
| Foreign currency gain | 18,435 | 13,056 | 18,364 | 13,053 |
| Profit on cambio trading | 11,972 | 8,258 | 11,972 | 8,258 |
| Default interest | 13,214 | 16,691 | 13,214 | 16,691 |
| Legal department income | 14,737 | 14,280 | 14,737 | 14,280 |
| Bad debt recoveries | 44,898 | 33,526 | 44,898 | 33,526 |
| Miscellaneous income | <u>2,385</u> | <u>9,904</u> | <u>2,475</u> | <u>9,994</u> |
| | <u>123,439</u> | <u>119,239</u> | <u>123,458</u> | <u>119,326</u> |

27. Operating expenses

| | <u>Group</u> | | <u>Co-operative</u> | |
|--------------------------------------|----------------|----------------|---------------------|----------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| | \$`000 | \$`000 | \$`000 | \$`000 |
| Personnel expenses: | | | | |
| Salaries and wages | 357,324 | 384,633 | 355,679 | 383,399 |
| Employer's statutory contributions | 32,721 | 33,929 | 32,721 | 33,929 |
| Education and training | 3,716 | 3,206 | 3,716 | 3,206 |
| Unused vacation leave | (102) | 3,891 | (102) | 3,891 |
| Pension expense | 7,137 | 1,703 | 7,137 | 1,703 |
| Redundancies | <u>23,706</u> | <u>-</u> | <u>23,706</u> | <u>-</u> |
| | <u>424,502</u> | <u>427,362</u> | <u>422,857</u> | <u>426,128</u> |
| Members' expenses: | | | | |
| CUNA lifesavings and loan protection | 20,954 | 20,640 | 20,954 | 20,640 |
| Bond insurance | <u>1,789</u> | <u>3,482</u> | <u>1,789</u> | <u>3,482</u> |
| | <u>22,743</u> | <u>24,122</u> | <u>22,743</u> | <u>24,122</u> |
| Carried forward | <u>447,245</u> | <u>451,484</u> | <u>445,600</u> | <u>450,250</u> |

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

Notes to the financial statements (continued)
December 31, 2013

27. Operating expenses (cont'd)

| | <u>Group</u> | | <u>Co-operative</u> | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Brought forward | <u>447,245</u> | <u>451,484</u> | <u>445,600</u> | <u>450,250</u> |
| Administrative expenses: | | | | |
| Printing, stationery and supplies | 8,541 | 7,141 | 8,541 | 7,133 |
| Repairs and maintenance | 8,195 | 8,080 | 8,195 | 8,080 |
| Depreciation and amortisation | 50,107 | 51,032 | 50,107 | 51,032 |
| Rental of premises | 14,095 | 11,349 | 14,095 | 11,349 |
| Travelling and subsistence | 8,322 | 9,217 | 8,322 | 9,217 |
| Meetings and functions | 1,729 | 1,747 | 1,729 | 1,747 |
| Subscriptions and other administrative expenses | 12,447 | 12,939 | 12,193 | 12,875 |
| Administrative expenses-COK Pension Plan | 8,157 | 15,158 | 8,157 | 15,158 |
| Electricity and water | 32,529 | 30,770 | 32,529 | 30,770 |
| Telephone and SMS text messaging | 7,079 | 8,407 | 6,995 | 8,343 |
| Auditors' remuneration - current year | 4,862 | 4,670 | 4,442 | 4,250 |
| - prior year | 683 | 60 | 680 | 60 |
| Computer related | 28,300 | 30,110 | 28,300 | 29,770 |
| Annual general meeting | 2,691 | 2,627 | 2,691 | 2,627 |
| Professional and consulting fees | 7,201 | 9,468 | 7,201 | 9,468 |
| Security expenses | 27,467 | 27,359 | 27,467 | 27,359 |
| ATM interchange and switch fees | 13,704 | 11,888 | 13,704 | 11,888 |
| Insurance premiums – property | 5,244 | 4,132 | 5,244 | 4,132 |
| GCT irrecoverable | <u>26,486</u> | <u>25,742</u> | <u>26,360</u> | <u>25,631</u> |
| | 267,819 | 271,896 | 266,952 | 270,889 |
| Marketing and promotion expenses: | | | | |
| Publicity and promotion | 42,876 | 43,693 | 42,876 | 43,693 |
| Representation and affiliation expenses: | | | | |
| League and other dues | 35,437 | 36,147 | 35,437 | 36,147 |
| League meetings | <u>468</u> | <u>1,105</u> | <u>468</u> | <u>1,105</u> |
| TOTAL OPERATING EXPENSES | <u>793,845</u> | <u>804,325</u> | <u>791,333</u> | <u>802,084</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) | 220 | 227,103 | 50,813 |
| Key management personnel | 16 | 39,864 | 44,790 |
| Volunteers (Credit and Supervisory) | <u>18</u> | <u>4,002</u> | <u>5,925</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 2013 and 2012.

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

Notes to the financial statements (continued)
December 31, 2013

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).

Related party transaction - 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.

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

Notes to the financial statements (continued)
December 31, 2013

29. Related parties, balances and transactions

- (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>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| | <u>\$`000</u> | <u>\$`000</u> | <u>\$`000</u> | <u>\$`000</u> |
| Subsidiary: Other receivables | <u>-</u> | <u>-</u> | <u>15,078</u> | <u>15,554</u> |
| Associate: Resale agreements | <u>-</u> | <u>37,155</u> | <u>-</u> | <u>37,155</u> |

Balances with key management personnel are shown at note 28.

- (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>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| | <u>\$`000</u> | <u>\$`000</u> | <u>\$`000</u> | <u>\$`000</u> |
| Subsidiary: | | | | |
| Other income | - | - | (1,759) | (1,157) |
| Associate: | | | | |
| Income earned from resale agreements | (520) | (5,881) | (520) | (5,881) |
| Management fees expense | <u>3,223</u> | <u>4,754</u> | <u>3,223</u> | <u>4,754</u> |

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

| | <u>Group and Co-operative</u> | |
|---|-------------------------------|---------------|
| | <u>2013</u> | <u>2012</u> |
| | <u>\$`000</u> | <u>\$`000</u> |
| Directors' honorarium | - | - |
| Short-term employee benefits included in personnel expenses (note 27) | <u>19,733</u> | <u>20,586</u> |
| | <u>19,733</u> | <u>20,586</u> |

30. Life savings and loan protection insurance

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

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

Notes to the financial statements (continued)
December 31, 2013

31. Comparison of ledger balances

Group and co-operative

| | <u>Savings deposits</u> \$`000 | <u>Loans</u> \$`000 | <u>Shares</u> \$`000 |
|-------------------------------------|-----------------------------------|------------------------|-------------------------|
| General ledger (unadjusted) | 4,065,005 | 4,621,390 | 2,185,326 |
| Personal ledger | <u>4,065,005</u> | <u>4,621,390</u> | <u>2,185,326</u> |
| Differences as at December 31, 2013 | <u>-</u> | <u>-</u> | <u>-</u> |
| Differences as at December 31, 2012 | <u>-</u> | <u>-</u> | <u>-</u> |

32. Commitments

- (a) At December 31, 2013, there were loan commitments to members totalling \$15,962,000 (2012: \$208,362,815) for the group and the co-operative.
- (b) At December 31, 2013, total capital commitments for the group and the co-operative amounted to \$7,206,000 (2012: \$3,788,000), of which \$358,000 (2012: \$593,000) have been deposited (note 9).

33. Contingencies

- (a) There is a member's claim against COK for damages in negligence for the sale of land below the market value for the property of \$30,000,000 or such reasonable market value for the property approved by the Court. 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 COK and served on the Claimants.
- (b) There is one other case involving claims against COK for damages in excess of \$1,200,000 for loss suffered as a result of alleged false imprisonment, breach of fiduciary duties and negligence. COK's Attorneys are of the view that COK 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 a 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.

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

Notes to the financial statements (continued)
December 31, 2013

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.

| | Carrying amount \$'000 | Fair value | | | Total \$'000 |
|-------------------------------------|------------------------------|-------------------|-------------------|-------------------|-----------------|
| | | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | |
| Group and co-operative | | | | | |
| December 31, 2013 | | | | | |
| Available-for-sale financial assets | <u>84,586</u> | <u>51,968</u> | <u>32,618</u> | <u>-</u> | <u>84,586</u> |
| December 31, 2012 | | | | | |
| Available-for-sale financial assets | <u>147,237</u> | <u>71,906</u> | <u>75,331</u> | <u>-</u> | <u>147,237</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.

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

Notes to the financial statements (continued)
December 31, 2013

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.

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

Notes to the financial statements (continued)
December 31, 2013

36. Financial risk management

(b) Credit risk (cont'd)

(i) Loans to members and guarantees (cont'd)

Collateral (cont'd)

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, 2013, the co-operative held motor vehicles with an estimated value of \$21,585,000 (2012: \$22,414,000), and real properties with an estimated value of \$185,620,000 (2012: \$52,260,000). 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.

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

Notes to the financial statements (continued)
December 31, 2013

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 12.67% (2012: 14.63%).

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 10.33% (2012: 10.05%).

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

Notes to the financial statements (continued)
December 31, 2013

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

| | 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>185,117</u> | <u>-</u> | <u>-</u> | <u>185,117</u> | <u>185,117</u> |
| | <u>5,733,212</u> | <u>496,682</u> | <u>587,589</u> | <u>6,817,484</u> | <u>6,779,594</u> |
| | 2012 | | | | |
| | 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 | 3,366,654 | 394,638 | 296,336 | 4,057,628 | 4,045,737 |
| Voluntary shares | 2,167,227 | - | - | 2,167,227 | 2,167,227 |
| Deferred shares | 6,142 | 18,428 | 300,000 | 324,570 | 300,000 |
| External credits | 30,124 | 13,190 | 920 | 44,234 | 43,769 |
| Non-interest bearing liabilities | <u>216,065</u> | <u>-</u> | <u>-</u> | <u>216,065</u> | <u>216,065</u> |
| | <u>5,786,212</u> | <u>426,256</u> | <u>597,256</u> | <u>6,809,724</u> | <u>6,772,798</u> |

Co-operative

| | 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> |

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

Notes to the financial statements (continued)
December 31, 2013

36. Financial risk management (cont'd)

(c) Liquidity risk (cont'd)

Co-operative (Cont'd)

| | 2012 | | | Total cash outflow \$000 | Carrying Amount \$000 |
|----------------------------------|---------------------------|----------------------------|----------------------------|--------------------------------|-----------------------------|
| | 1 to 3 months \$000 | 3 to 12 months \$000 | Over 12 months \$000 | | |
| | Savings deposits | 3,366,654 | 394,638 | | |
| Voluntary shares | 2,167,227 | - | - | 2,167,227 | 2,167,227 |
| Deferred shares | 6,142 | 18,428 | 300,000 | 324,570 | 300,000 |
| External credits | 30,124 | 13,190 | 920 | 44,234 | 43,769 |
| Non-interest bearing liabilities | <u>214,415</u> | <u>-</u> | <u>-</u> | <u>214,415</u> | <u>214,415</u> |
| | <u>5,784,562</u> | <u>426,256</u> | <u>597,256</u> | <u>6,808,074</u> | <u>6,771,148</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 British pound sterling (£).

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

Notes to the financial statements (continued)
December 31, 2013

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>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Bank accounts | 235 | 168 | 232 | 163 |
| Cash floats | 7 | 16 | 7 | 16 |
| Investments | 783 | 1,691 | 783 | 1,686 |
| Accounts payables | (14) | (13) | - | - |
| | <u>1,011</u> | <u>1,862</u> | <u>1,022</u> | <u>1,865</u> |

| | <u>Group</u> | | <u>Co-operative</u> | |
|--------------|--------------|-------------|---------------------|-------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| | £'000 | £'000 | £'000 | £'000 |
| Bank account | 18 | 3 | 18 | 3 |
| Cash floats | - | 2 | - | 2 |
| | <u>18</u> | <u>5</u> | <u>18</u> | <u>5</u> |

The exchange rates for the Jamaica dollar, in terms of the US\$ and Pound Sterling, as at December 31, 2013 were as follows: J\$105.72 = US\$1.00 (2012: J\$92.15 = US\$1.00 and J\$173.56 = £1.00 (2012: J\$148.29 = £1.00).

A 15% (2012: 10%) 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 2012.

| | <u>Group</u> | | <u>Co-operative</u> | |
|-----------------------------|--------------|-------------|---------------------|-------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| United States dollar (US\$) | 10.83 | 17.2 | 10.79 | 17.3 |
| British Pound Sterling (£) | <u>0.32</u> | <u>0.08</u> | <u>0.32</u> | <u>0.07</u> |

A 15% (2012: 10%) 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.

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

Notes to the financial statements (continued)
December 31, 2013

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>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Fixed-rate instruments | | | | |
| Financial assets | 5,730,987 | 5,437,044 | 5,730,309 | 5,435,767 |
| Financial liabilities | (6,294,477) | (6,256,733) | (6,294,477) | (6,256,733) |
| | <u>(563,490)</u> | <u>(819,689)</u> | <u>(564,168)</u> | <u>(820,966)</u> |
| | | | <u>Group and Co-operative</u> | |
| | | | <u>2013</u> | <u>2012</u> |
| | | | \$'000 | \$'000 |
| Variable-rate instruments | | | | |
| Financial assets | | | 532,352 | 722,227 |
| Financial liabilities | | | (300,000) | (300,000) |
| | | | <u>232,352</u> | <u>422,227</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>2013</u> | <u>2012</u> |
| | \$'000 | \$'000 |
| 2.5% (2012: 1%) increase | 18,443 | 6,442 |
| 1% (2012:1%) decrease | <u>(7,377)</u> | <u>(6,442)</u> |

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

Notes to the financial statements (continued)
December 31, 2013

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% (2012: 10%) increase or decrease in quoted bid prices at the reporting date would have increased or decreased, respectively, equity by \$211,000 (2012: \$249,000).

(f) 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 7.58% (2012: 7.23%).

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

37. Change in accounting policy

As indicated in note 2(f)(iii), effective January 1, 2013, the Board of Directors adopted IAS 19 Employee Benefits (*Revised*). The change in accounting policy was applied retrospectively. The effects of the change are treated as prior year adjustments as detailed below:

(a) Effect on the statement of financial position:

| | <u>Group and Co-operative</u> | |
|--|--|---|
| | Employee benefits <u>asset</u> \$'000 | Employee benefits <u>reserves</u> \$'000 |
| Balances as December 31, 2011 previously stated | 172,611 | (172,611) |
| Effect on other comprehensive income for the year | (<u>85,638</u>) | <u>85,638</u> |
| Restated balances as at December 31, 2011 | <u>86,973</u> | (<u>86,973</u>) |

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

Notes to the financial statements (continued)
December 31, 2013

37. Change in accounting policy

(a) Effect on the statement of financial position (cont'd):

| | <u>Group and Co-operative</u> | |
|--|---|--|
| | <u>Employee</u> benefits <u>asset</u> | <u>Employee</u> benefits <u>reserves</u> |
| | \$'000 | \$'000 |
| Balances as December 31, 2012 | | |
| Previously stated | 180,356 | (180,356) |
| Effect on other comprehensive income for 2011 | (85,638) | 85,638 |
| Effect on other comprehensive income for 2012 | <u>14,956</u> | <u>(14,956)</u> |
| Restated balances as at December 31, 2012 | <u>109,674</u> | <u>(109,674)</u> |

(b) Effect on profit or loss for the year ended December 31, 2012:

| | <u>Group</u> \$'000 | <u>Co-operative</u> \$'000 |
|---|------------------------|-------------------------------|
| Loss for the year, as previously reported | 129,979 | 128,934 |
| Prior year adjustment for pension costs | <u>(3,942)</u> | <u>(3,942)</u> |
| Loss for the year, as restated | <u>126,037</u> | <u>124,992</u> |

(c) Effect on statement of other comprehensive income for the year ended December 31, 2012:

| | <u>2012</u> \$'000 |
|--|-----------------------|
| Actuarial losses recognised in other comprehensive income | <u>11,014</u> |

(d) Other than restatement of comparatives, there was no effect on the statement of cash flows for the year ended December 31, 2012.

38. National Debt Exchange

During the year, the group participated in the National Debt Exchange ("NDX"). The NDX involved a par-for-par exchange of then existing Government of Jamaica domestic debt instruments issued for new debt instruments having lower interest rates and longer maturities.

The par value of the debt instruments exchanged and the result on profits was as follows:

| | |
|--------------------------------|----------------------|
| Total face value exchanged | <u>\$871,400,000</u> |
| Loss arising from the exchange | <u>\$46,353,000</u> |

NOTES

Vision

To be the leader in all markets we serve; by being a member-focused, financially-sound, profitable and technology-driven organization with a highly competent and motivated team.

Mission

To improve the well-being of our members by providing savings opportunities, affordable credit and other financial products to our members and customers. We will achieve this by delivering superior service, by being innovative and by consistently living the co-operative principles.

Core Values

*Trust
Continuous Improvement
Co-operative Philosophy*

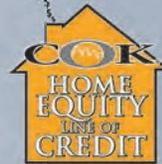
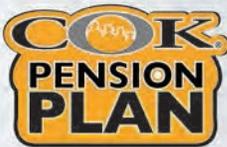


COK SODALITY CO-OPERATIVE CREDIT UNION LTD.

Invest in your future today!



**FIXED
DEPOSIT**



**COK Xchange
Cambio Services**

C.A.R.E.S
Children Are Really Enthusiastic Savers



**COK
MOBILE**



1. GO TO YOUR APP STORE
2. SEARCH FOR "COK"
3. INSTALL THE APP

Available on the App Store | GET IT ON Google play

HEAD OFFICE: 66 Slipe Road, Kingston 5, Tel: 764 - 1691
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: 40 Market Street, Montego Bay. Tel: 764 - 1659
CALL: 9604 CAN (960-4226) || BB PIN: 270A55E8 ||
WEBSITE: www.cokcu.com || EMAIL: contactus@cokcu.com
 Like us on facebook, search "COK Sodality Co-operative Credit Union"

