

Invest in your future today!



COK SODALITY CO-OPERATIVE CREDIT UNION LTD.

Invest in your future today!

ANNUAL REPORT 2017



PRAYER OF ST. FRANCIS OF ASSIS

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 pardoning that we are pardoned;
And it is in dying that we are born to eternal life.



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NOTICE

Notice is hereby given that the 51st Annual General Meeting of COK Sodality Co-operative Credit Union Limited will be held on Wednesday May 9, 2018, at the Jamaica Conference Centre, starting at 1:00 p.m.

Registration commences at 12:00 noon.

Take further notice that at this meeting, COK Sodality intends to have a resolution passed to address and amend COK Sodality's Article XIII, Rule 65; Article III, Rule 14 (ix); Article III, Rule 14 (xii); Article IV, Rule 15 (b) (iv); Article V Rule 20 (v); Article VII, Rule 28 (i); Article IX, Rule 41 (iv); Article IX, Rule 45 (ii); Article X, Rule 48 (ii) and Article XI, Rule 53.



Clive Medwynter
Assistant Secretary
April 2018

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 50th Annual General Meeting**
7. **Matters Arising**
8. **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
 - g Education Committee
9. **Fixing of Maximum Liability**
10. **Appointment of Returning Officer**
 - a Nominating Committee
11. **Elections**
 - a Board of Directors
 - b Credit Committee
 - c Supervisory Committee
 - d Delegates to JCCUL
 - e Delegates to the Jamaica Fishermen Co-operative Union Limited
 - f Delegates to the Jamaica Co-operative Insurance Agency
12. **Resolutions**
13. **Any Other Business**
14. **Termination**

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.

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.

CORE VALUES

Trust

Continuous Improvement

Co-operative Philosophy

CORPORATE

PROFILE



In 2017 COK Sodalitiy Co-operative Credit Union Ltd. entered its 50 years of service to the Jamaican people with renewed vision and focus as we strive to consistently meet our members'

financial needs and expectations through our offerings of retail loans, micro-business solutions; savings and investment plans, cambio, mobile banking services and a creative retirement scheme.

COK's commitment to our over 280,000 members is to utilize technology to improve service delivery channels and to drive growth. This promise is bolstered by the professionalism of our staff, the legacy and foresight of our founders; and is rooted in COK's rich history of service to our members in Jamaica, the Caribbean and the wider Diaspora.

COK SODALITY'S HISTORY

Mr. Albert Morris, one of COK's founders, first proposed the concept of a Credit Union to serve residents of the Corporate Area who were not at that time able to become members because they were not employed to one of the firms which had a Credit Union attached. In 1967, another founding member, Mr. Paul Chevannes, who was a CUNA Mutual

sales representative to Jamaica and Belize, recalled Mr. Morris' proposal and approached the Jamaica Co-operative Credit Union League and the Registrar of Co-operatives with a view to having the credit union registered. This was accomplished on October 26, 1967, and gave birth to City of Kingston Co-operative Credit Union, where self-employed and others who were not employed to firms with Credit Unions were able to become members, as long as they lived and worked in Kingston and St. Andrew.

Since our first Annual General Meeting (AGM) in November 1967, which was attended by 13 members including Messrs. Albert Morris, Paul Chevannes, Father Gerard McLaughlin, Ken La Cruise and Ms. Vinette Foster, among others, and our subsequent merger in 2009 with Sodalitiy Co-operative Credit Union, COK Sodalitiy Co-operative Credit Union has grown to become the largest credit union, in terms of membership, in Jamaica and the English-speaking Caribbean. The Credit Union had over 280,000 members as at December 2017. We also serve Jamaicans overseas in North America, the UK, and Grand Cayman through our branches and multi-service call centre, which manage both telephone and online inquiries.

Our strategic vision to be the leader in all markets we serve, includes being innovative. COK's innovations in the movement are: **credit card, fixed deposits, remittances, individual retirement account, early savers programme, mortgages, deferred shares.** We continue growing the loan portfolio; expanding our membership

base; adding to new products and services; and most importantly sharpening our service delivery through continuous training and technology.

One of our on-going strategic objectives is to encourage more Jamaicans to save more on a regular basis and to plan for their retirement through specific savings. This is crystallised in COK's tagline: **"Invest in your future today!"** and emphasises to our membership the urgency of making critical financial decisions now, in order to be assured of a safe and viable future.

In addition, we have carefully designed a range of savings and loans products to meet the variety of needs reflected in the profile of our members – hence our **Built Around You** campaign. In this regard, we have developed a wide range of products including -Fixed Deposits, the Partner Plan, Golden Harvest, Pension Plan and Family Indemnity Plan; loan products which include Business Loans, Home Equity loans, Personal loans, Mortgage, Education and Auto loans; as well as Cambio – all with our members' success in mind!

COK believes that Jamaica's Micro, Small and Medium Businesses are extremely important and have the potential to make a positive contribution to our country's economy. It is against this background that COK Sodality has strengthened its

operation in Micro Financing, with officers located at its five branch offices - Kingston, St. Andrew, St. Catherine, Manchester, St. James as well as its satellite offices in Spanish Town and Ocho Rios.

COK is proud that for the past 50 years, we have consistently placed our members at the centre of all our strategies for growth and sustainability. We guarantee that our team will continue to deliver COK's products and services with the highest level of professionalism and sensitivity.

This dynamic team is currently led by Chief Executive Officer, Ambassador Aloun Ndombet -Assamba, who reports to the Board of Directors headed by President, Mr. Steadman Pitterson.

The real power, however, resides in the hands of the members, who, at AGM elect members of the Board, Supervisory and Credit Committees. Our members influence decisions on the direction and activities of the Credit Union.

We thank you, the members/owners of this Credit Union for your loyalty and support over the years, and for making COK your Credit Union of choice. COK's pledge is to ensure the delivery of superior service to you, our members, as together we build a better Jamaica.

MINUTES

OF THE 50TH ANNUAL GENERAL MEETING

Minutes of The Fiftieth Annual General Meeting of COK Sodality Co-operative Credit Union Limited held on Wednesday, May 10, 2017 at the Jamaica Conference Centre Commencing at 1:27pm.

ASCERTAINMENT OF QUORUM AND CALL TO ORDER

Having ascertained from the Chief Executive Officer, Ambassador Aloun Ndombet-Assamba, that 204 persons registered and were in attendance, with 11 in Mandeville and 9 in Montego Bay Branches which streamed live via the Worldwide Web, that the COK Sodality Co-operative Credit Union Annual General Meeting (AGM) was legally constituted as per Rule 61 Section i(d), the President Mr. Steadman Pitterson, Chairman, called the fiftieth AGM to order at 1:27pm.

READING OF NOTICE CONVENING THE MEETING

Ms. Marjorie Shaw, Secretary, read the notice convening the Meeting which complied with Rule 60 of the COK Sodality Co-operative Credit Union Rules. She stated that the Notice of the AGM was first published on April 19, 2017 in the newspaper and posted in all COK Sodality Branches.

OPENING PRAYER AND OBITUARIES

Prayer was offered by Mr. Trevor Blake, which was followed by the Prayer of St. Francis of Assisi. The meeting observed a minute of silence for members who died during the year. The COK Sodality Choir gave a rendition.

WELCOME AND INTRODUCTION

The Chairman, Mr Pitterson extended a warm welcome to everyone, especially the participants in the Montego Bay and Mandeville Branches, as the AGM streamed live on the Worldwide Web to those locations. Mr Pitterson outlined the Parliamentary procedures to be observed for the meeting.

Mr Pitterson mentioned that the Credit Union's selected theme for 2016 was "Collaborate and Grow" which was delivered to the Annual Staff Meeting Blast-off Function in January 2016. At the event the COK Team was fully recognized and committed themselves to delivering on the targets with renewed enthusiasm in the the competitive financial sector.

Mr. Pitterson introduced the following persons to the meeting:

MEMBERS ON THE PLATFORM

Mr. Ewan Millen - *Treasurer*
Mr. Trevor Blake - *Assistant Treasurer*
Ms. Marjorie Shaw - *Secretary*
Mr. Clive Medwynter - *Assistant Secretary*
Ms. Carol Anglin - *Director*
Mr. Michael Martin - *Director*
Ambassador Aloun Ndombet-Assamba - *Chief Executive Officer*

SUPERVISORY COMMITTEE MEMBERS

Mrs. Carol Williams - *Chairman*, Ms. Phillippa Edwards - *Secretary*, Miss Herma

Walker, Mr. Alston Reid, Corporal William Graham, Mrs. Jacqueline Daley, Mr. Arnold Breakenridge, Ms. Charmaine Newsome and Mr. Enoch Allen.

CREDIT COMMITTEE MEMBERS

Ms. Catherine Gregory - Chairman, Mrs. Jacqueline Lloyd-Carter, Secretary, Mr. Rohan Townsend, Mr. Irwin Gregory, Mr. Errol Beckford, Mr. Patrick Galbraith, Mr. Ralston Hyman, Mrs. Sharon Usim and Mrs. Donna Pommells.

COK MANAGERS

Ms. Linda Miller - Chief Operating Officer, Mr. Deryke Smith - Chief Financial Officer, Mr. André Gooden - Chief Business Development Officer and Staff.

WELCOME TO SPECIALLY INVITED GUESTS

Ambassador Ndombet-Assamba extended welcome to the following specially invited guests:

Most Reverend Burchell McPherson
Bishop, Montego Bay and COK Nominating Committee Member

Ms. Vera Lindo
Jamaica Co-operative Credit Union League (JCCUL)

Ms. Sandra Hucey
JCCUL

Mr. Carlton Barclay
Chief Executive Officer, C&WJ Co-op. Credit Union

Mr. Wilbert Spence
KPMG

Ms. Taneisha Facey
Department of Co-operatives & Friendly Societies (DCFS)

Ms. Lavern Eccleston
DCFS

Ms. Georgette Lewis
DCFS (Observing proceeding at Mandeville Branch)

Mr. Ainsley Thomas
DCFS (Observing proceedings at Montego Bay Branch)

Ms. Shakeira Lee
Credit Union Fund Management Company (CUFMC)

Ms. Nicole Bruce
CUFMC

Ms. Georgia Morris
CUFMC

Ms. Phillipa Beckford
CUNA Caribbean Insurance Jamaica Ltd.

Ms. Donnette Hunter
CUNA Caribbean Insurance Jamaica Ltd.

Mr. Neville Rhone
Former General Manager, COK Sodality

Mr. Andrew Brown
Former Chief Financial Officer, COK Sodality

Mr. Courtney Wynter
Chairman, COK Retirement Scheme

Mr. Garth O'Sullivan
Trustee, COK Retirement Scheme

Mrs. Margaret Morris
Member, COK Sodality

Ms. Beverley Cole
Stenographer

Ambassador Ndombet-Assamba also extended special welcome to the teachers who were in attendance and wished for them a Happy Teachers' Day. Special welcome was extended also to the COK CARES Group in attendance.

APOLOGIES FOR ABSENCE

Apologies for absence were received from the following:-

Mr. Orville Christie
Vice President, COK Sodality

MINUTES

OF THE 50TH ANNUAL GENERAL MEETING CONT'D.

Mrs. Vinnate Hall

Director, COK Sodality

Mr. Christopher Robinson

Former Director, COK Sodality

Mr. Albert Morris

Honorary Director, COK Sodality

Mr. Enoch Allen

Supervisory Committee Member, COK Sodality

Mrs. Jacqueline Mighty

Former Chief Executive Officer, COK Sodality

Mrs. Claudette Christie

Marketing Manager, JCCUL

An apology for lateness was received from the Hon. Donna Parchment Brown, Political Ombudsman.

CORRECTIONS AND AMENDMENTS

The Secretary, Ms Shaw, drew the meeting's attention to the Errata Sheet which was tabled.

The following amendments were highlighted from the Minutes and the 2016 annual report booklet:-

- Page 8** Second column, last line - remove "and staff".
- Page 9** Penultimate paragraph in 2nd column - replace "Reverent" with "Reverend".
- Page 18** First column, 2nd paragraph - remove the "comma" and "unsecured loans".
- Page 28** Second column, 3rd paragraph, 3rd line - replace shore" with "sure".
- Page 31** Second column, 1st paragraph, 5th line - replace the number "1" with the letter "l".
- Page 33** First column, 1st paragraph, 4th line, insert ")" after "2015".

Page 68 Cross Roads Members' Meeting, #4 - replace "presentes" with "presented".

Page 74 Recommendation, #1, ninth bullet - replace "loan" with "dormant account".

Page 78 First column, 1st & 2nd paragraphs - replace "Most Reverent" with "Most Reverend".

Page 82 First column, Thursday, May 26, 2016, second bullet, 3rd line - replace "them" with "theme"

ADOPTION AND CONFIRMATION OF MAY 10, 2016 AGM MINUTES

The Minutes having been circulated were taken as read on a motion moved by Mr. Garth O'Sullivan and seconded by Mr. Courtney Wynter. The motion was unanimously carried.

MATTERS ARISING FROM THE MINUTES

The Motion for the adoption and confirmation of the Minutes was moved by Mr. Jeffrey Tavares and seconded by Mrs. Emma Thomas. The motion was unanimously carried.

Mr. Michael Burke highlighted his concern with the comments made at the last AGM that the members should not be allowed to take over proceedings. He indicated that the AGM is the supreme authority of the members where the Board of Directors is given the responsibility to manage the affairs of the Credit Union between the holding of the general meetings.

MoneyMasters Ltd. (MML)

Mr Garth O'Sullivan asked for information relating to the Credit Union's investment in MML and whether there was any profit to be gained or should the investment be discontinued. Ambassador Ndombet-

Assamba pointed out that \$20M was invested in MML and they had indeed made some losses. She said however that a profit of \$15M was made in 2016, and the Credit Union would share in this amount. The company was on a path to being profitable, and COK Sodality's Board had looked at this and decided to wait before selling its shares in the company.

There was no further discussion from the Minutes.

In the absence of the Vice President, Mr. Orville Christie, Secretary Ms. Marjorie Shaw assumed the Chair for the presentation of the Board of Directors' Report by President, Mr. Steadman Pitterson.

REPORTS

BOARD OF DIRECTORS

The motion for the Board of Directors' Report to be taken as read was moved by Hon. Donna Parchment Brown and seconded by Mr Courtney Wynter. The motion was unanimously carried.

OVERVIEW

The President in presenting the Report for the year 2016, stated that the Credit Union sought to achieve its objectives for the year by focusing on the pillars of People Empowerment, Operational Excellence, Financial Success, Stakeholders Value and National Impact. The Jamaican economy continued on a path of relative stability throughout 2016 on the heels of an early termination of the International Monetary Fund (IMF) extended fund facility which was replaced by a three year standby arrangement support for continued economic reform.

The turnaround in performances in agriculture and manufacturing plus continued growth in tourism led to marginal GDP growth, with inflation being below 2%. Consumer and business confidence levels for the last quarter were at record high. The

macro economic conditions were now more favourable for sustained growth. However, social challenges such as crime and violence will have to be controlled in order to create a better climate for investment.

Competition remained fierce in the financial sector with low interest rates being the main tool used to attract borrowers. In the Credit Union Movement the number of operating credit unions decreased from 34 to 32 at the end of 2016, with other mergers expected to conclude in 2017.

ACHIEVING GROWTH

During the year under review, your Credit Union made total comprehensive net income of \$59.61M. This compared very favourably with 2015, where we made a deficit of \$42.23M. Strict control of other operating costs, robust delinquency management and aggressive sales campaign were major contributors to the financial success.

Interest income targets were surpassed in the last quarter on the heels of a well-executed loan campaign in the Micro Unit, which offered approved "Holiday Loans" for its business members. The Credit Union's loan portfolio grew by 9.37% for the year to an amount of \$6.42B. The savings portfolio grew by 5.66% to \$7.19B and total assets grew by 9.19% to record \$8.57B.

The Credit Union's key operating results showed that there was growth over 2015 as our assets grew by \$385M, investments by \$145M, loan repayments grew by \$315M, the loan portfolio by \$516M, loan disbursements by \$462M, and our membership grew by 5,272 to now 272,412 members. The Management Team and Staff reactivated 15,164 dormant or inactive accounts.

The Team strategically managed their operating expenses to 4% less than budgeted.

Deferred Shares which commenced in 2011, matured in May 2016. In order to further improve the Credit Union's

MINUTES

OF THE 50TH ANNUAL GENERAL MEETING CONT'D.

capital base, the Board went to market with another Deferred Shares Offer, to raise \$500M from our members. This was successfully accomplished in November 2016 through the hard-work of the Management Team and Staff. The new Deferred Shares assisted in improving the Credit Union's capital adequacy ratio to 9.72% in 2016 from 6.99% in 2015.

SALES AND MARKETING

In a fiercely competitive financial landscape your Credit Union remained very visible in the media. There were 5,272 new members in 2016. The net savings achieved \$326.7M or 63%; this could be as a result of some members opting to put their savings in the Deferred Shares offering. The Sales and Marketing and Member Experience Unit had significant departmental activities for the year. These included electronic media campaign, featuring testimonials from our members; successful campaign to reactivate dormant accounts; a successful Health and Back-to-School Fair; a Capacity Building seminar for micro and small business entrepreneurs; and Members' meetings held across the island.

MICRO FINANCE UNIT

The establishment of the micro satellite office in Spanish Town complemented the satellite office established in Ocho Rios in May 2015. The micro portfolio grew in 2016 by 90% moving from \$265.9M in 2015, to \$506M at December 2016. The savings portfolio grew from \$64.4M to \$159.6M, a whopping 148% increase. Performance in the Unit was bolstered in the last two months of 2016 by strategic initiatives where preapproved loans were made available to selected members. This initiative resulted in the Unit surpassing its disbursement targets for the months of November and December 2016. The Unit will continue its efforts to penetrate the

market to improve the lives of our members with a significant capacity building project which was launched in the first quarter of 2017.

IMPROVED MEMBER SERVICE

COK Sodality Board, having made a definite commitment to improving communication and service delivery to our members, fulfilled the commitment by establishing a Members' Experience and Service Excellence Unit which was charged with the sole responsibility of ensuring members' satisfaction. This specialized Unit implemented a Customer Service Charter as well as a Service Level Agreement. The documents are displayed on the Credit Union's Intranet to allow easy access to team members to apprise themselves of the information.

CORPORATE SOCIAL RESPONSIBILITY

COK Sodality is strongly committed to support and gave tangible assistance to its members and the wider community. In the year under review, education, agriculture and sports were served. In the area of agriculture the Jamaica 4-H Club again received sponsorship in support of its 2016 National Achievement Day activities.

The Credit Union awarded 25 scholarships and grants at an approximate value of \$690K to members and children of members attending secondary and tertiary educational institutions; including \$220K to children of staff members.

The Credit Union participated in Jamaica's annual Labour Day activities with each of our five Branches actively engaged in community and Labour Day projects. In Kingston, the major project was the painting of the Clan Carty High School building and the construction of a garbage bin at the school.

During Credit Union Week, October 16 to 21, 2016, the staff from Head Office, Cross Roads, and Mandeville Branches prepared soup, and delivered this along with well-needed toiletries, clothes, shoes for the less fortunate in Cross Roads and Mandeville.

At our Health and Wellness Fair in August 2016, approximately 200 individuals received free health checks while students had their school medical done free of charge.

STRENGTHENING THE CAPITAL BASE

The drive to strengthen the Credit Union's capital base continued during the administrative year 2016. One of the contributory variables was the inflow to the Permanent Shares from new and existing members. The amount of \$36.39M was collected, bringing the Permanent Shares portfolio balance at the end of December 2016 to \$537M. Other initiatives included a new Deferred Shares offering of \$500M; the 'Reactivate and Save' promotion; special attention to cost management and interest margins, leading to increased profitability. These contributed to improving the Credit Union's Capital Base to 9.72% compared to a prudential requirement of 8%. The drive to strengthen the Credit Union's Capital Base will continue to be an ongoing objective.

DELINQUENCY MANAGEMENT

The Board's Debt Management Committee provided oversight to the Debt Management Unit to monitor this very critical element of the Credit Union's operation. At the end of 2016 delinquency stood at 7.83% compared to 9.53% at the end of 2015, which was quite an achievement by that Unit. Increased vigilance in liquidating assets, securing delinquent loans, along with reallocation of resources to detect and monitor potential problem loans were key contributors to the improved performance in the area.

CHARGED-OFF LOANS

Loans that were in arrears for a period

in excess of 365 days and for which the accounts reflect 100% provision for the debts, were recommended to the Board by the Management for charge-off. In keeping with our existing Rules (Rule 38 (i) (l)) which states that all such charged-off loans must be reported to the next Annual General Meeting by the Board of Directors; we hereby report that these loans totaling \$50.81M at December 31, 2016, were approved by the Board of Directors as charged-off loans. These loans will continue to be managed for collection but would no longer be included as part of the current loan portfolio. Of note, during the year, \$33.0M was collected from loans which were charged-off in previous years.

HUMAN RESOURCES

During the period under review, the Credit Union pursued initiatives to continuously improve our staff, along with further development of a universal sales culture. In this regard, the entire staff was trained in sales techniques by way of an online tutorial, as well as a series of training seminars facilitated by external instructors.

There were 254 persons employed to the organization in 2016. During the year Mrs. Jacqueline Mighty, Chief Executive Officer and Mr. Andrew Brown, Chief Financial Officer and Dr. Hopeton Morrison, Consultant - Micro Unit demitted office. We welcomed Ambassador Aloun Ndombet-Assamba, Chief Executive Officer and Mr. Deryke Smith, Chief Financial Officer.

For the administrative year 2017/2018, Rev. Michael Lewis, Director indicated his unavailability to continue to serve, and we thanked him for his service to the organization and wished for him success in his future endeavours. We recorded our appreciation and paid tribute to all our volunteers on the Board, and various Sub-committees and Standing Committees who continue to contribute selflessly of their time, skill and knowledge to ensure that the Credit Union remains a viable, efficient and compliant enterprise; and that it functions in accordance with the policies and guidelines.

MINUTES

OF THE 50TH ANNUAL GENERAL MEETING CONT'D.

COK REMITTANCE COMPANY LIMITED (COKRS)

A number of challenges affected and plagued the COK Remittance Service over the last two years. Withdrawal of correspondent banking services from the Cayman market severely hampered remittance business between Jamaica and the Cayman Islands, and by extension, COK Remittance. These and other events resulted in operating loss of \$1.015M in 2016. Consequently, the Board made the strategic decision to suspend operations of COK Remittance Services effective December 31, 2016. COK will continue to serve remittance needs to our members through our branch network, such as a payment agent for JMMB Remittance, JN Money Transfer Services, MoneyGram, and Tropical Money Services.

MONEYMASTERS LIMITED (MML)

MoneyMasters Limited is an associate of COK, with COK having 20% in the Company's Ordinary Shares. This year we recorded a loss of \$914,000 on this investment. In 2015 it was \$3.03M. The Company's strategic plan identified new initiative in 2017 which will lead to increased income and a return to profitability.

IMPENDING BANK OF JAMAICA (BOJ) CREDIT UNION REGULATIONS

Whilst the Credit Union has been preparing for the pending Regulatory control by the BOJ, the Regulations are still under review and have not yet been enacted for the change of Governance. COK Sodality is ensuring that all the necessary requirements are in place to ready the Credit Union for licensing under the Bank of Jamaica Regulations without undue complications.

CORPORATE GOVERNANCE

During the year under review, the Board of

Directors continued to place great emphasis on corporate governance. In this regard, the Board conducted appraisal of the Credit Union's operations and its related business units through monthly meetings and numerous sub-committee meetings, such as Audit, Risk & Compliance, Finance and Policy, Debt Management, Information Communication Technology, Credit and Supervisory. Details of the meetings convened for 2016 were outlined in the booklet.

THE WAY FORWARD

The surplus of \$59.61M achieved in 2016, came as a result of focused attention on keeping delinquency in check. However, there's still a great number of members who do not service their loans as they contracted. We intend to move quickly in the coming year to realize the security offered on these loans, and thus reduce the bad debt figures.

As we celebrate the 50th Anniversary, we recommit ourselves to delivering superior COK services to our members which has become our hallmark. In this regard we will host a number of activities and events to reconnect with our members throughout Jamaica.

We will focus on continuing to advance the development of our staff and wider membership. We pledge to continue to provide value through the efficient delivery of products and services that will best meet our members' needs. We assure you that COK Sodality is indeed Created, Owned and Powered by you the Members.

It is essential that all members contribute towards the Permanent Shares pool as we seek to strengthen our capital base. Your Board remains committed to ensuring that this vital aspect of COK's operation is improved. It will lead to sustainable

financial viability and ensure that our Credit Union will be able to serve for another 50 years as a strong entity in the Credit Union Movement.

APPRECIATION

Your Board wishes to record our appreciation to our loyal volunteers, management, staff, liaison officers and all who have assisted COK Sodality in the conduct of its affairs over the past year.

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

DISCUSSION OF BOARD OF DIRECTORS' REPORT

Mr. Garth O'Sullivan expressed concern at the Credit Union's high delinquency rate and expressed the view that it was time to use stringent measures to realize the collaterals used to secure the loans by the members. He indicated that collaterals being pledged as security should undergo strict scrutiny before the loan is granted to members.

Ambassador Ndombet-Assamba reiterated that the issue of delinquency was part of the challenge the Credit faced in the past, which had caused us not to meet one or two PEARLS ratios, however efforts had been made to reduce this, and this would be reflected in 2017. Extra scrutiny was being placed on collaterals being given as security for loans. It is hoped that with the operations of the credit bureaus in Jamaica where background checks are made on persons applying for loans; and the introduction of our Centralized Processing Unit where the officers together collaborate on the assessment of loans applications; should provide greater scrutiny.

Mr Michael Burke said he was happy that the profit was made and they did not have to sell the building and the matter would be put to rest.

Mr Livingston Young asked for further clarification regarding the closure of the

COK Remittance Service. Ambassador Ndombet-Assamba explained that the remittance landscape was changing worldwide particularly relating to money laundering, and the banks made the decisions to discontinue the relationships with other banks. This would provide some challenges to the Credit Union to continue this type of business, and as a result the Board took the decision to cease providing this service.

Mrs Sheila Goulbourne expressed concern with the number of temporary contracted staff in relation to permanent staff employed to the Credit Union. She felt that temporary staff were losing out on the benefits offered to permanent staff and wondered if this could be examined. Ambassador Ndombet-Assamba advised that the matter was being addressed and there should be some improvements in 2017. Persons would be gradually converted to permanent position as this cannot be done on a wholesale basis.

Mr Courtney Wynter expressed concern with the high level of bad debts and enquired whether this was due to an increase in bad debt or that the officers did not work hard on the delinquent loans. He cautioned the Management to ensure that equity is displayed in treating with delinquent members regardless of their status, as most of the bad debts were with larger and influential borrowers.

Mr Pitterson responded that everyone worked very hard to contain delinquency, however there was also an increase in the bad debt portfolio. He stated that the Credit Union is policy driven, and respects the mandate given by the Board through these policies; therefore, all members are treated equally and fairly, and no member of the Board could be so bold as to even present such a request at the Board level. The Board and those who are charged with the execution of all their management responsibilities, do so with an even hand and fairness, he said.

Mr Garth O'Sullivan requested that

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OF THE 50TH ANNUAL GENERAL MEETING CONT'D.

Ambassador Ndombet-Assamba scheduled a meeting with the external collectors to hear their concerns and challenges being experienced whenever they try to collect from the delinquent members.

Mr Renford Douglas at the Mandeville Branch asked for an update on the BOJ Regulations and whether COK would encounter any major problems.

Ambassador Ndombet-Assamba stated that the deliberation was continuing, with the League leading the discussions. From recent discussions the Cabinet seemed to have made a decision that rather than having credit unions regulated under the BOJ Act that there would be a specific Credit Union Act that will be put in place and that the Regulations would come under a Credit Union Act rather than Regulations under the Bank of Jamaica Act.

She said based on correspondence received it is expected that by March 2018 the Act will be in place; and as a result continuous negotiations and lobbying was very important. Of importance also is the lobbying of the Parliamentarians, to make sure that when the Act comes to Parliament it will reflect the conditions and wishes of the almost one in every three Jamaicans who is a member of a credit union.

Mr. Michael Burke advised that it was Father John Peter Sullivan who lobbied for a separate Credit Union Act which resulted in the Co-operative Act of Jamaica being drafted in 1950 and passed in 1960.

Mr. Burke sought to ascertain the legality of persons participating in the AGM via streaming from the Mandeville and Montego Bay Branches. Ambassador Ndombet-Assamba confirmed that the process was legal and the proceedings were being

observed by officers from our Regulators, the Department of Co-operatives and Friendly Societies at both Branches.

Ambassador Ndombet-Assamba acknowledged that there were 75 persons in the Mandeville Branch and 34 persons in the Montego Bay Branch. She thanked them for their participation.

Mr. Errel Crooks said he hoped the Act would facilitate the credit unions going to the clearing house for cheque clearing as the present facility offered through the banks was proving very expensive.

Ms Shaw thanked the President for the presentation of the report and the members for their participation in the deliberations, and closed this segment of the meeting.

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

TREASURER AND AUDITOR'S REPORT

The motion for the Treasurer's Report to be taken as read was moved by Mrs. Emma Thomas seconded by Mrs. Patricia Walker. The motion was unanimously carried.

OVERVIEW

The Treasurer, Mr. Ewan Millen in presenting the report invited the KPMG Auditor Mr. Wilbert Spence to read the Independent Auditor's Report found on Pages 95 to 97 of the Annual Report.

Mr. Millen stated that the Jamaican economy continued to expand in 2016. Growth was mainly attributed to the continued improvement in Jamaica's macroeconomic fundamentals through various structural reforms carried out by

the Government, increased foreign and domestic investor confidence as well as favourable weather conditions. The International Monetary Fund (IMF) gave a positive economic narrative when it carried out its first review of Jamaica's precautionary Standby Agreement. Notwithstanding that, there continued to be some concerns as the foreign exchange rate continued to deteriorate. Overall confidence in the economy was evident as reduction in interest rates resulted in COK Sodality members being able to access loans at lower rates.

Favourable growth conditions in Jamaica's economy also allowed for more of our members being able to access a variety of loan products, including micro loans which contributed to the Credit Union's ability to make a surplus of \$208M before audit provision. There was significant provision of \$151M along with loss in the subsidiary of \$1.015M. The Credit Union's share of this was \$914,000. Despite this the Credit Union realized total comprehensive income of \$59.6M as compared to a loss of \$42M in 2016.

PERFORMANCE

There were significant financial impacts within the 2016 financial year which resulted in the Credit Union achieving a number of positive results. There was a 9.37% growth in the loan portfolio, achieving \$516M bringing the portfolio to \$6.03B. There was a 5.66% growth in the savings portfolio. Permanent Shares grew by 7.27%, an increase of \$36M to close at \$537M.

The Credit Union recorded 86.43% in interest income from investment, achieving \$112.02M against the budget of \$99.01M. There was 4% containment of operating expenses of \$926.29M against a budget of \$965.86M. Non-interest income grew by 5% achieving \$313M against a budget of \$308M.

The Credit Union's Total Asset increased by \$724M over the comparative period, to

close at \$8.57B. The growth in Total Asset was mainly financed by Deferred Shares which was increased by \$200M.

LOAN DISBURSEMENTS

Gross loans increased significantly year over year by \$516M to close at \$6B. The competitive and declining interest rates environment continued during 2016. However we were able to provide our members with attractive rates and products during the year as we introduced a number of loan promotions. Among these were the new car loan promotion and a diverse micro finance loan product. At the end of 2016 net loan was at \$5.8B. Our net loan to asset ratio at the end of the financial year was 68.49%, well within the PEARLS standard of 60 to 80%.

BAD DEBT RECOVERY

Bad debt recovery increased year-over-year by 13% achieving \$33M against a budget of \$24M. Interest income from loans increased by \$166.94M. The Debt Management Unit recovered over \$33M in bad debt through the continuous and aggressive pursuit of delinquent members. Several tenacious and highly balanced accounts in 2016 necessitated increased bad debt provision for the year. Loan loss provision totaled \$107M.

Loan interest receivable provision was \$24M in 2016 compared to \$2M in 2015. Other assets provision was \$19.6M for 2016. The total provision for 2016 was \$151.6M compared to budget of \$121.7M; moving from an actual of \$100.2M in 2015. Delinquent loans and advances on which interest no longer accrued amounted to \$442M. As such, interest previously accrued and remained unpaid was written-off from interest income during the year. Efforts to recover the outstanding amounts are still diligently being pursued.

The Credit Union undertook a number of strategies to improve provision. With consistency and focus of the entire Debt Management Team and increased sensitivity

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for the entire COK Sodality family towards delinquency, we intend to gradually reduce our position to approximately 7% as at December 2017.

DEBT MANAGEMENT

A review of our loans disbursed in 2016 versus loans disbursed in 2015 pointed to the fact that we are making improvements in our assessment process; as more of the loans disbursed in 2016 remained in good standing at the end of 2016 when compared to loans previously issued. This demonstrates that the steps being taken to improve the assessment of loans, along with the other measures, including monitoring and early follow-up of missed payments, are bearing fruit. We will continue to work on these areas to ensure that the results improve.

INVESTMENTS

As at December 2016, the investments portfolio was \$1.93B compared to \$1.78B in 2015. Interest income earned on investments for 2016 was \$112M compared to \$129M. Interest income earned on investments was above budget by \$12.9M. This was mainly due to strategic long term investments in secure corporate bonds that yielded higher returns than GOJ instruments.

SAVINGS AND DEPOSITS

The savings portfolio increased by \$385M to \$7.1B at the end of 2016. Interest expense on deposits decreased by \$18M to \$171M for 2016 compared to \$189M in 2015.

The Credit Union had to be very aggressive in the financial market and offered a number of savings initiatives to attract and retain savings. Despite the increase in interest cost over the comparative period, our cost

of funds was lower than planned, resulting in savings in interest cost of \$21M.

Most importantly, our members continue to exhibit confidence in COK Sodality as is evident in the increase in the savings portfolio in the year.

MEMBERSHIP - PERMANENT SHARES

Permanent Shares increased by \$36.38M compared to \$92M in 2015. We now have over 81,236 members being fully compliant out of a total active membership of 272,412 adult members who have Permanent Shares of \$3,000.00 in their Permanent Shares account. Several initiatives were implemented in 2016 to encourage our members to become Permanent Share compliant.

THE WAY FORWARD

Mr. Millen pointed out that some of the strategic objectives for the 2017 financial year were to:-

- grow our loan portfolio by \$1.45B.
- rease savings to fund our loan growth by 9.59%.
- reduce the delinquency ratio to 7.03%.
- increase interest income by 43%.
- boost capital adequacy to achieve the 2017 ratio of 11.25%.

Our capital adequacy has moved from 7.58% in 2013 to 9.72% in 2016; with a projection at the end of 2017 of 11.25% and projected to be 11.765% in 2019. The Credit Union will boost its capital adequacy ratio by increasing its Permanent Shares through membership growth and compliance and the planned contribution from surplus of approximately \$75.82M from the 2017 financial year.

The year 2016 was a year that had a lot of challenges, but the Credit Union through its Management and Staff, and the Board, did its best to chart the course and to carry us safely through to realizing a surplus.

COK Sodality believes that it is well positioned to return to sustainable surplus. The Credit Union remains committed to providing financial assistance to its members in a cost-effective, sustainable, and efficient manner. We are a safe repository for savings and investments, and despite the fragile and challenging economic environment in which we currently operate, we remain very positive in our ability to play an important part in fostering financial independence and creating wealth for our members. COK's primary mission is to improve our members' well-being and we will continue to provide those opportunities through you our valid members to achieve your goals for years to come.

HIGHLIGHTS OF THE 2017 BUDGET

Mr. Millen presented a summary of the budget for 2017, as outlined on pages 50 to 52 in the Annual Report. The Credit Union aimed to earn interest income for 2017 of \$105.426B, with expenses of \$368.151M leaving net interest of \$737.275M. Gross margin for operating expenses was set for \$1.092B. We hope to achieve net profit for the year 2017 of \$75.282M. The projected growth in total asset was \$9.432B or 10%. The total loans to members was set for \$1.003B. The target for investments and deposits was set at \$102.321M.

ACKNOWLEDGEMENT

The Treasurer, in concluding the report, expressed thanks to the Management and Staff of COK Sodality for remaining steadfast in their duties to the organization. He also thanked the cadre of volunteers who unselfishly gave of their time and talent and were very much forthcoming with ideas and suggestions about improving the Credit Union. Special thanks to the Department of Co-operatives and Friendly

Societies, and the Jamaica Co-operative Credit Union League for their guidance and support during the year. Thanks to the auditors KPMG, who conducted and completed their audit in a timely manner. He expressed gratitude to the members for their continued support of the Credit Union and the opportunity given to him to serve in this capacity as Treasurer.

DISCUSSION OF THE TREASURER'S REPORT

Mr. Garth O'Sullivan commended the Management on the success achieved in the Micro loans. He noted also that every effort should be made to pursue delinquent members despite who they are or where they reside, as there are challenges with access to delinquent members who reside in gated communities.

There being no further questions or comments, Mr. Jeffrey Tavares moved the motion for the adoption of the Treasurer's Reports seconded by Mr. Errel Crooks. The motion was unanimously carried.

The Chairman thanked Mr. Ewan Millen for the reports and the members for their participation.

REPORT OF THE CREDIT COMMITTEE

The motion for the Credit Committee's Report to be taken as read was moved by Mrs. Patricia Walker seconded by Mr. Errel Crooks. The motion was unanimously carried.

Mr. Errol Beckford presented the report in the absence of the Chairman, Mrs. Catherine Gregory.

INTRODUCTION

Mr. Beckford stated that the business processing outsourcing (BPO) sector, which employed some 20,000 persons, recorded strong growth, while the construction and installation sector also grew by 0.8%. The manufacturing sector expanded marginally, whilst the electricity, gas and water sectors recorded strong performances. The retail

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sector also grew marginally and remained as the country's largest economic sector, while bank lending to the private sector climbed by almost 12% after adjustments for inflation.

ROLE OF THE CREDIT COMMITTEE

The primary role of the Credit Committee is to approve loans in accordance with the authorities schedule; review loans based on pre-determined criteria; review the credit policy and procedures with a view to providing recommendations for improvement. The Committee holds meetings on a fortnightly basis.

ACHIEVEMENTS OF THE CENTRALIZED CREDIT UNIT (CCU)

The CCU made significant achievements during 2016. The following objectives were attained:-

- Achieved 92% of loan targets
- Training of credit staff
- Implemented backup team of credit officers to process loans in high volume situations
- Implemented changes to improve efficiency in credit process
- Enhanced loan products to improve market appeal.

The CCU continues to grapple with the turnaround time for loans as, despite improvements in certain aspects of the loan value chain, the standard for processing loans was still not being met on a consistent basis. It is therefore important to improve this process to increase our competitiveness with granting loans. This will therefore continue to be an area of focus for the CCU in 2017.

OBJECTIVES OF THE CCU FOR 2017

The CCU's focus for 2017 is continued improvement in the processing and monitoring of loans to increase member loyalty and satisfaction, and to improve competitiveness in the market place.

RECOMMENDATIONS

Economic growth is projected at 21% in 2017/2018 and COK Sodality will therefore have to focus on products and services which will provide opportunities for growth while surgically cutting costs by using better technology.

At the end of December 2016, there were 341,200 senior citizens in the country representing 12.6% of the population. This provides an opportunity for COK Sodality to look at expanding its offerings through the Pensioners Loan to this niche market.

ACKNOWLEDGEMENTS

In concluding, Mr. Beckford, on behalf of the Credit Committee, expressed appreciation for the assistance given to them by the Management and Staff as they exercised oversight responsibility for loans approved by the Credit Union for the year 2016. He thanked the volunteers for their support during the year; and the members for reposing their confidence in the Committee, adding that he looked forward to serving them in the coming year.

DISCUSSION OF THE CREDIT COMMITTEE REPORT

There being no questions or comments, the Chairman thanked the Committee for the report. The motion for the report to be accepted was moved by Mr. Livingston Young and seconded by Ms. Thelma Williams. The motion was unanimously carried.

REPORT OF THE SUPERVISORY COMMITTEE

The report was taken as read on a motion moved by Mr. Garth O'Sullivan and seconded by Ms. Dianne Fraser. The motion was unanimously carried.

INTRODUCTION

Mrs. Carol Williams, Chairman stated that the Co-operative Societies Act 1950 defined the Supervisory Committee as a committee elected by the members of the Credit Union at an Annual General Meeting for the purpose of audit and supervision of the Credit Union. The Committee, supported by the Internal Audit Department, operates by a mandate which allows for the examination of the affairs of the Credit Union at intervals. In executing its responsibilities the Committee carried out investigations into members' complaints and activities to strengthen the governance process of the Credit Union. The Supervisory Committee acts as watchdogs to ensure that the operations of COK are aligned with its Vision and Mission.

ROLE AND RESPONSIBILITIES

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

The Committee discharged its responsibility to the general membership by conducting regular reviews of the operations of the Credit Union and providing monthly reports of the findings and recommendations to the Board of Directors and Management.

AREAS OF FOCUS - 2016

The Committee reviewed the following areas and made recommendations for improvement:-

- External investments
- Front-line end of day activities
- Database
- Golden Harvest accounts
- Proceeds of Crime Act (POCA)/Anti-Money Laundering (AML)
- Fixed assets
- Collateral management
- Loan loss provisioning
- Branch audit

Implementation of Status of Audit Recommendations (ISOAR)

Careful execution of the planned audits contributed to improvements being reflected in internal controls, identification of some risks, and acted as change agents in risk management and mitigation strategies.

The Committee reviewed the feedback comments from the members' suggestion boxes and noted the increased number of persons utilizing the service to provide positive responses regarding the Credit Union's customer service delivery, and to also give their opinions.

CONCLUSION & ACKNOWLEDGEMENT

In concluding the report Mrs. Williams acknowledged and thanked the Board of Directors, Management and Staff for their tremendous work during the year. She expressed appreciation to the Internal Audit Department for their unwavering support to the Committee. She thanked the Committee members for their sterling commitment and dedication and asked everyone to continue their commitment in working together as a team with the focus on the Credit Union's Vision Statement.

There being no questions, the Chairman thanked the Committee for the Report. Ms. Pauline Bailey moved the motion for the acceptance of the report seconded by Ms. Carol Lewis. The motion was unanimously carried.

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

The report was taken as read on a motion moved by Mr. Jeffrey Tavares and seconded by Ms. Phillipa Beckford. The motion was unanimously carried.

The Chairman presented the report. He advised that the Jamaica Co-operative Credit Union League's 75th Convention and Annual General Meeting (AGM) was held May 26 - 29, 2016 at the Hilton Rose Hall Hotel & Spa in Montego Bay; under the theme "Credit Unions: People Helping People". Approximately 150 delegates and observers were in attendance.

The Chairman advised that the details of the Report were outlined on pages 82 - 84 of the booklet.

Mr. Michael Burke commented on the situation regarding the Credit Union incurring expenses on accommodation to attend the JCCUL Annual General Meeting which was postponed, and was held at another date at the Jamaica Conference Centre, thus incurring additional expenses to the Credit Union. The Chairman explained that it was whilst the delegates were at the Convention that JCCUL advised that the AGM was deferred to Kingston, in this regard the Credit Union did not suffer any additional expenses, as there was no cost to attend the AGM in Kingston.

Mr. Burke protested the arrangement, stating that the AGM is held within the Convention and if the AGM was not going to be held then there should be no Convention,

which would result in credit unions not spending this money. He indicated that the League should be censured and moved a motion for a resolution to censure the League as he believed credit unions incurred unnecessary expenses for an event that was not held: "Whereas the credit union, COK was invited to the Annual General Meeting; and Whereas it did not take place at the time; and whereas there was expenditure that was incurred. Be it resolved that this meeting of the COK Sodality Credit Union sends the strongest possible censure to the Credit Union League and hopes and prays that it will never take place again, and that in future if the annual report is not ready or the finances are not ready that they are informed before". Mr. Conroy Campbell moved the motion to second the resolution.

However some members asked for an explanation of the circumstances surrounding the issue and Ambassador Ndombet-Assamba provided a full explanation on the matter which was accepted by the members. The Chairman then asked for a vote on the resolution. But the resolution was defeated as there was no vote 'For' and all 'Against.'

Mrs. Patricia Walker moved the motion for the acceptance of the report seconded by Mr. Errel Crooks. The motion was unanimously carried.

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

The report was taken as read on a motion moved by Mr. Garth O'Sullivan and seconded by Mr. Errel Crooks. The motion was unanimously carried. The report was presented by Ambassador Ndombet-Assamba. She indicated that the report was outlined on pages 85 and 86 of the booklet.

The meeting was held at the Knutsford Court Hotel on April 25th, 2017. COK Sodality delegates, herself, Mr. Neville Rhone and Mr. Michael Burke were in attendance. Mr. Burke was nominated to represent the Fisherman's Co-operative Union on the National Union of Co-operative Societies Board.

The meeting was addressed by the Hon. Karl Samuda. The challenges being faced by fishers were highlighted and the Minister recognized that over 200,000 persons' lives in Jamaica are impacted by the Fishermen's Co-operative Union.

The report of the Co-operative stated that despite the challenges the operations managed to show a positive performance with an undistributed surplus of \$1.7M.

Mr. Garth O'Sullivan moved the motion for the acceptance of the report seconded by Mrs. Jacqueline Daley. The motion was unanimously carried. The Chairman thanked Ambassador Ndombet-Assamba for the report.

REPORT OF THE EDUCATION COMMITTEE

The report was taken as read on a motion moved by Mr. James Wood and seconded by Mr. Courtney Wynter. The motion was unanimously carried.

Mr. Michael Martin, Chairman of the Committee, advised that the Committee's report was outlined on pages 87-88 of the booklet. The Committee is a sub-committee of the Board, and has responsibility for, among other things:-

- Continuous education of the members.
- Develop, organize and evaluate educational programmes for the members
- Administration of COK Sodality's scholarship programmes.

Scholarships offered by the Credit Union are:

- Bertie Morris
- Carter Carter
- Trevor Blake
- Paul Chevannes

Several scholarships totaling \$690,000.00 were awarded in 2016. A grant was also awarded by the Margaret Rogers Foundation. The Committee continues to address and support COK Sodality's education demand.

Mr. Martin indicated that the report was presented for information purposes and did not require a mover or an adoption.

PROPOSAL FOR THE FIXING OF MAXIMUM LIABILITY TO 31ST DECEMBER 2017

In keeping with Rule 70 it was proposed that Maximum Liability to 31st December, 2017 be set at \$12B, being 12 times the 2016 total capital, inclusive of Deferred Shares of \$500M projected at \$1B.

This was adopted on a motion moved by the Treasurer, Mr. Ewan Millen and seconded by Mr. Livingston Young. The motion was unanimously carried.

ELECTIONS

The Report of the Nominating Committee was taken as read on a motion moved by Corporal William Graham and seconded by Mrs. Patricia Walker. The motion was unanimously carried.

The Elections, as per Rule 65(iv) were presided over by the Honourable Donna Parchment-Brown. She advised that the Nominating Committee met in accordance with Rule 65(i) and the selection of persons who were recommended for the Board, the Credit Committee and the Supervisory Committee and other Co-operatives were stated. The selections were presented to the meeting as follows:-

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BOARD OF DIRECTORS (FOR 1 YEAR)

Mrs. Jacqueline Lynch-Stewart

Mrs. Lynch-Stewart was elected for one year to complete the term of Rev. Michael Lewis.

BOARD OF DIRECTORS (For 2 years)

- Mr. Steadman Pitterson
- Ms. Marjorie Shaw
- Ms. Carol Anglin
- Mr. Ewan Shaw
- Mrs. Debbie-Ann Gordon-Crawford
- Mr. Maurice Lewin

They were unanimously accepted on a motion moved by Mrs. Carol Williams and seconded by Mrs. Patricia Walker.

CREDIT COMMITTEE (FOR 2 YEARS)

- Mr. Andral Shirley
- Mr. Vivian Daley
- Mr. Rohan Townsend
- Dr. Annette Sykes
- Mr. Patrick Galbraith
- Ms. Sharon Usim
- Mrs. Jacqueline Lloyd-Carter

They were unanimously accepted on a motion moved by Mr. Garth O'Sullivan and seconded by Mr. Errel Crooks.

SUPERVISORY COMMITTEE (FOR 1 YEAR)

- Mr. Shridath Brown
- Mrs. Maureen Dwyer
- Mr. James Wood
- Corporal William Graham
- Ms. Charmaine Newsome
- Mr. Enoch Allen
- Ms. Kenneil Blake

They were unanimously accepted on a motion moved by Mr. Courtney Wynter and seconded by Mrs. Carol Williams.

DELEGATES TO JCCUL (FOR 1 YEAR)

- Ambassador Aloun Ndombet-Assamba
- Mr. Steadman Pitterson

ALTERNATE DELEGATES

- Mr. Orville Christie
- Ms. Carol Anglin

JAMAICA FISHERMEN CO-OPERATIVE UNION

- Mr. Neville Rhone
- Mr. Michael Burke
- Ambassador Aloun Ndombet-Assamba

JAMAICA CO-OPERATIVE INSURANCE AGENCY LTD.

- Ms. Carol Anglin
- Ambassador Aloun Ndombet-Assamba

They were unanimously accepted on a motion moved by Mr. James Wood and seconded by Mr. Neville Rhone.

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

The Chairman thanked the Honourable Donna Parchment-Brown for conducting the elections.

RESOLUTIONS TO AMEND RULES

Mrs. Debbie-Ann Gordon-Crawford, Chairman of the Rule Book Sub-committee advised that there were two Resolutions. The Resolutions were taken as read on a motion moved by Hon. Donna Parchment-Brown and seconded by Mrs. Patricia Walker.

RESOLUTION FOR NOMINATING COMMITTEE NOMINATION PROCESS AND ELECTIONS

Mrs. Gordon-Crawford stated that the

Registrar of the Department of Co-operatives & Friendly Society issued a directive to all credit unions which is akin to a guide for credit unions to adopt a new method and mechanism for the nomination and appointment process of officers of the credit union. As a result of this the Credit Union was seeking to change its Rule 65. The details of the Resolution was outlined on pages 89 to 90 of the booklet.

Mrs. Gordon-Crawford led the meeting through the Resolution to be voted on.

Mr. Michael Burke objected to the Resolution declaring that it was ultra vires as the process should allow for nominations from the floor at the AGM and should not be determined exclusively by a committee. He asked the members to oppose the Resolution as they would be signing away their rights to democratically select their representative on the Board and other Committees.

Mrs. Gordon-Crawford explained that the Resolution stated that if there are vacancies on the Committees, whatever those vacancies are, the Nominating Committee will be required to publish them for all members to see, so that the membership can submit their own nomination for the positions. The steps to be taken in advertising the vacancies are explained in the Resolution. It also requires that the members must be certified fit and proper to serve by the Bank of Jamaica.

Mr. Courtney Wynter expressed the view that the procedure presents a little more transparency in the nomination process and asked if the new process would allow staff members, who are also members, to serve on the Board or Committees.

Mrs. Gordon Crawford responded that the staff policy would address that matter as it should speak to the position of governance that the staff may or may not assume, for reasons of conflict. So to the extent that there would be no conflict that position could be taken up, but to the extent that the

staff policy does not allow a member of staff to also sit as an officer of the Credit Union then that would not be allowed. However they could be nominated. The staff are members of the Credit Union so they are at liberty to put in their nomination by way of a petition, and the petition is a form that requires other members to support the nomination of that member.

Mr. Dennis Hickey said in his opinion it was a welcome change, because the way it had been conducted in the past wouldn't have given members so much time to be certain about people they want to recommend. He said he was yet to see an occasion where people are just nominated from the floor without the proper checks and balances who turned out to be a good selection with the leadership of the Credit Union. He said the members should be mindful that the four months gives them greater authority, greater participation in being able to select the persons who are going to lead the Credit Union.

Ms. Karen Miller asked whether an ordinary member without any degrees could serve as Board or Committee members, as what she observed in the Annual Report booklet were persons with degree qualifications. She asked what the fit and proper process was.

Mrs. Gordon-Crawford advised that any ordinary member can serve on the Board or any Committee of the Credit Union.

Mr. Errel Crooks supported Mrs. Gordon-Crawford's point by stating that he was an ordinary Postman working in the Postal Service and served on the Credit and Supervisory Committees for almost 30 years.

Mrs. Gordon-Crawford explained that the fit and proper approval is not undertaken by the Credit Union, as the Credit Union is regarded in law as a specified financial institution. The persons who serve as Board or Committee members must go through an independent rigour of being assessed as to whether they are bankrupted or whether

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they have. any blemishes that would cause them to be perceived as persons who are not well-thinking; whether they have been involved with the tax authorities in a way that may have rendered them unfit and improper; whether they have been convicted of a criminal offence and they have not been acquitted. There are number of factors that go into determining whether someone is fit and proper. Once COK takes a nomination or an election for the position of a Board member it must then submit the names by law to the Bank of Jamaica and other regulators who will then undertake their own fit and proper procedures and it will then revert to COK to say whether that person is in fact fit to serve in that capacity.

Mr. Andrew Brown asked for an explanation of the process used by the Nominating Committee prior to the Resolution.

Mrs. Gordon-Crawford explained the practice which obtained prior to the Resolution seeking the change.

Mr. Burke enquired what provision was in the Resolution to address the matter when members submit their nominations and the persons are not selected by the Nominating Committee.

Mrs. Gordon-Crawford stated that the Nomination Committee has an obligation to compile the list of persons who have been properly nominated and to submit them to the membership at the AGM.

To the extent that a vacancy exists on the Board of Directors, the nominations will come in; and if there are several nominations for that one Board petition, when it gets to the AGM there will be a vote by way of ballot as to who will fill that one vacancy.

Mrs. Gordon-Crawford put the Resolution to the vote. She advised that representatives from the Co-operative Department and JCCUL would assist with the counting of the votes and the same process would take place in the Mandeville and Montego Bay Branches for the members online.

The Resolution was put to the vote but was not passed. Copy of the Resolution is appended to these Minutes.

Ms. Taneisha Facey from the Co-operative Department stated that the votes for the Resolution totaled 201. The persons who voted against were four (4) and the remaining numbers abstained from the resolution. And since the total number of persons in the room who were entitled to vote was 299; and the numbers that abstained from the voting process was 94; as a result the resolution was not passed.

She explained further that herself, Mrs. Lavern Eccleston also from the Co-operative Department and Ms. Sandra Hucey from the League counted the number of persons with the red hand band and got 299, which included persons in the Mandeville and Montego Bay Branches. So of that number three-fourths would be required as those primary persons present and entitled to vote.

She stated further, that the Rules not being passed at the AGM may be amended by a Resolution of the members at any Annual or Special General Meeting called for the purpose, by three-fourths vote of those present and entitled to vote, provided a copy of the proposed amendment together with a written notice of the meeting had been placed in at least one major daily newspaper and/or an electronic medium and shall also be printed in the Annual Report at least seven days before the said meeting.

No amendments shall become operative until it has been approved by the Registrar in accordance with the Co-operative Societies Act.

Mrs. Crawford responded that, in her opinion, the Department of Co-operatives noted 94 persons as having abstained. Beside the abstentions they wrote the number 94, which was incorrect because when it was asked who abstained - that is, those who have neither voted for or against - four persons raised their hands. There is a further point which states that the Rules at 77 requires three-fourth votes, which in her view, meant those who had participated and exercised the choice of the decision, which meant three-fourths voted. This was in compliance with the Rules. In coming up with those three-fourths vote, the only people who could vote were those who are eligible, present and entitled to vote. She therefore held the view that 94 persons did abstain. However she said the Registrar's decision stands and she thanked them for their participation.

Mr. Hickey enquired whether the opinion of the Co-operative Department stood or will legal opinion be sought on the matter.

Mrs. Gordon-Crawford responded that it did, but as a member she could lodge an appeal, because 94 persons did not abstain.

She stated further that all the members in the Mandeville and Montego Bay Branches voted in favour of the Resolution, hence it was 94 members in Kingston who abstained.

Resolution to Change the Permanent Shares from \$3,000.00 to \$2,000.00

Mrs. Gordon-Crawford stated that the Resolution was for a change to be made to Article II, Rule 6 and 11(B) for the Permanent Shares requirement to be set at to \$2,000.00. The details of the Resolution were outlined on page 91 of the booklet.

When put to the vote the Resolution was

unanimously carried on a vote of 299 'For.' Copy of the Resolution is appended to these minutes.

ANY OTHER BUSINESS

Issuing Rule Book to Members

Mr. Garth O'Sullivan implored the members to ensure they receive a copy of the Credit Union's Rule book which is given to each member on joining the Credit Union. They should take the opportunity to apprise themselves of the information which is very relevant to the organization, as many of the questions being asked relating to the operations of the Board and Committees members are outlined in the Rule Book. All the members are owners of the Credit Union and should therefore not quarrel with each other at the AGM, but instead strive for the good of the organization.

MOBILE LOAN PAYMENT

Mr. Anthony Simms enquired if the Credit Union could establish a mobile payment facility for self-employed persons, particularly those living in the rural areas where there was no Branch to assist them to make their loan payments easily.

Ambassador Ndombet-Assamba explained that the Credit Union League has a facility called the Conec Mobile Wallet that will allow members to use their phones to make loan payments. The programme, she said, should commence operating very soon in all credit unions for the members to utilize.

Mr. Livingston enquired if dividends would be paid on the Permanent Shares and the Deferred Shares.

Ambassador Ndombet-Assamba stated that dividends are paid on the Permanent Shares. However members can only get back their Permanent Shares when they ceased to be a member. The Deferred Shares is invested for five years and interest is paid monthly to the members.

MINUTES

OF THE 50TH ANNUAL GENERAL MEETING CONT'D.

PRESENTATION OF PLAQUES AND CITATIONS

The volunteers who retired were presented with plaques and citations.

COMMENDATION TO MR TREVOR BLAKE

Mr. Dennis Hickey on behalf of Mr. Dunbar McFarlane, Chairman of the Board of Directors of MoneyMasters Ltd, thanked COK Sodality for appointing Mr. Trevor Blake as a Director to MML. He had provided excellent guidance through the good times and the bad, and he hoped God continues to bless him abundantly as he retires from the Credit Union.

ACKNOWLEDGEMENT

The Chairman thanked everyone for their attendance at the 50th AGM and for their patience and participation in the deliberations and said it was a very fruitful and worthwhile meeting. He said he looked forward to seeing everyone at the next AGM in their numbers and just as enthusiastic.

The Chairman, on behalf of the members, thanked the recording secretary, sponsors, photographers, media, management and staff of the Jamaica Conference Centre and the management and staff of COK Sodality for organizing the AGM.

TERMINATION

The Chairman having dealt with all the matters terminated the meeting at 6:55pm on a motion moved by Mr. Basil Lue and seconded by Mr. Errel Crooks.



STEADMAN PITTERSON - President

BOARD OF DIRECTORS



Standing L-R: Michael Martin, Ewan Shaw - Treasurer, Maurice Lewin, Clive Medwynter - Assistant Secretary, and Steadman Pitterson - President.

Seated L-R: Maureen Dwyer, Carol Anglin, Sharon Usim, Vinnate Hall, Missing from photo - Orville Christie, Debbie-Ann Gordon-Crawford, Albert 'Bertie' Morris - Founder

BOARD OF DIRECTORS'

REPORT

The Board of Directors of COK Sodality Co-operative Credit Union presents to you, the members, the Annual Report for the year 2017.

COK Sodality Co-operative Credit Union's 50th Anniversary celebrations in 2017 provided islandwide visibility for our Credit Union, and cemented COK's position as a pioneer of Jamaica's Credit Union movement dedicated to empowering our members, improving their lives and the lives of thousands of other Jamaicans.

Throughout the year, the COK team gave practical meaning to the 50th Anniversary theme 'COK – Created, Powered and Owned by You' by engaging in a range of activities at the individual, community and corporate levels which embraced members and the wider community. These included thanksgiving services in Kingston, Mandeville and Montego Bay; a series of members' meetings and public fora; Labour Day activities; donations; health fairs and blood donation drives.

The response by the membership was overwhelming, with a number of entrepreneurs, scholars, and business people giving testimonials regarding the numerous ways in which COK had positively impacted their lives over the past 50 years.

During the year under review, your Credit Union made a surplus of \$66.9M. COK Sodality continued to focus on managing operating costs and delinquency. Other contributory factors to the 2017 surplus included a successful loan sale campaign.

COK's loan portfolio grew by 8% in 2017 to \$6.35B, with deposits and voluntary shares growing by 8% to \$7.78B. Total assets increased by 8% to \$9.23B over the same period. The Credit Union's capital adequacy ratio continued to improve in 2017, moving to 10.34% from 9.78% in 2016.

Other key achievements of the Credit Union included:

- The disbursement of \$3.22B in loans through the branch network, against a target of \$3.11B, achieving 103% of target.
- The initiation of a very successful motor vehicle loan campaign which resulted in new loans of \$817.6M, achieving 132% of budgeted target.
- The donation of \$707,500 in scholarships to students, including \$467,500 to children of staff members.

MEMBER EXPERIENCE, SALES AND MARKETING & BUSINESS DEVELOPMENT

Based on our commitment and promise to our valued members and customers, the Member Experience Team continued to work with members regarding their individual concerns. The Unit maintained optimum engagement levels with our members, and ensured that issues were properly addressed.

Major areas of focus included:

- Close adherence to the Service Level Agreement and Charter by embarking on a series of activities geared towards customer satisfaction.
- Implementation of an island-wide Member Service Training for staff which assisted in raising the engagement and service levels to our members and customers.
- Strengthening the accountability structure within the organization resulting in improved member satisfaction both internally and externally.
- Improved communication via Facebook and Online Chat.

BOARD OF DIRECTORS'

REPORT CONT'D.

- Periodic Member Service Survey to determine satisfaction levels of our members.

In a fiercely competitive financial landscape, your Credit Union remained visible in the marketplace through various media. This assisted us in achieving loan disbursements of \$3.22B representing 103% of target; admitting 5451 new members (100% of target), and garnering net savings of \$607.00M (128% of target). The savings achieved could have been more significant had members not opted to transfer savings to COK Deferred Shares.

Significant departmental activities for the year included:

- Continued capacity building seminar for micro and small business entrepreneurs
- An electronic media series featuring a number of small business tips
- Members meetings across the island
- Successful Health and Back to School

Fair

OPERATIONS, RISK AND COMPLIANCE BANK OF JAMAICA (BOJ) CREDIT UNION ACT

In late 2017, BOJ amended the Draft Credit Union Regulations which was converted to the Draft Credit Union Act. This was circulated through the Jamaica Co-operative Credit Union League for feedback from Credit Unions.

COK continued its preparation for BOJ oversight by undertaking regular self-assessments based on the expected changes to ensure that our Credit Union will be ready for licensing under the BOJ once the Act is approved in the House of Parliament. The Credit Union has also continued appeals to its members to update their accounts in order to be compliant with the Proceeds of Crime Act and Regulations as well as the BOJ Anti-Money Laundering/Combating the Financing of Terrorism Guidelines.

ENTERPRISE RISK MANAGEMENT

Enterprise Risk Management (ERM) is a comprehensive, systematic and collaborative process to identify, manage and monitor the Credit Union's risks - both internal and

TABLE 1
SUMMARY OF COK'S KEY OPERATING COMPARATIVE STATISTICS OF OUR EFFORTS IN 2017

Categories	Balance as @ 31/12/2016	Balance as @ 31/12/2017	Change (\$) 31/12/2017 vs. 2016	Change (%) 31/12/2017 vs. 2016
Assets	\$8.57B	\$9.23B	\$660M	8%
Savings (Deposits & Voluntary Shares)	\$7.20B	\$7.78B	\$580M	8%
Investments	\$1.93B	\$2.04B	\$11M	6%
Loan Repayments	\$2.46B	\$2.70B	240.5M	10%
Loan Portfolio	\$5.86B	\$6.35B	\$490M	8%
Loan Disbursements	\$2.98B	\$3.22B	\$240M	8.1%
Membership	272,412	277,191	4,779	2%

external - to ensure achievement of its strategic objectives and continued financial stability.

Our Board-approved policies are designed to ensure that risks are managed within the Credit Union.

In ensuring that all significant risks are covered the Credit Union maintains a Risk Register which documents all significant risks across the various business units and facilitates continuous monitoring and assessment of those risks identified. In addition, there are various policies and procedures in place covering all operational areas of the Credit Union to guide management and staff in their daily operations.

INTERNATIONAL FINANCIAL REPORTING STANDARD # 9

IFRS 9 replaces IAS 39, Financial Instruments – Recognition and Measurement. The new standard aims to simplify the accounting for financial instruments and address perceived deficiencies which were highlighted by the recent financial crisis. The consequences to the Credit Union are as follows:

- Earlier recognition of impairment losses on receivables and loans.
- Significant new disclosure requirements, which may necessitate upgrading our systems.

The full effect of the standard on the Credit Union movement is still being determined. The League is driving this process.

MICRO FINANCE UNIT

The Micro Portfolio grew by 47%, from \$506M at December 2016 to \$746M at December 2017. The Savings portfolio grew from \$159.6M to \$196.5M in the same period, a growth rate of 23%. The disbursement target of \$644M was exceeded by 11%, with \$715.9M being attained. A strategic move was made to have more secured loans in the portfolio which

resulted in \$139M or 18.67% of the total loans being secured, up from less than 5% at December 2016.

A campaign with a significant focus on capacity building and accountability to improve the lives of member borrowers within the unit was launched in first quarter 2017. This will be an ongoing feature of the Unit as part of efforts to widen the impact on our members beyond financial support.

REMITTANCE AND MONEY TRANSFER

COK Sodality continued to serve the remittance needs of our members through our branch network, as payment agents for JMMB Money Transfer, JN Money, Lasco Financial Services (MoneyGram) and Tropical Money Systems.

In July 2017, the Credit Union received the Certificate of Approval from the Bank of Jamaica which enhanced the Remittance portfolio through our newest partner - VMBS Money Transfer Services Ltd. This partnership gave our members and the wider society another option to send and receive money through our branch network. Our members are now able to send money to their accounts as they seek to honour their obligations.

CORPORATE SOCIAL RESPONSIBILITY

In 2017, COK's 50th year, a special effort was made to assist individuals and charitable entities in all the communities we serve across the island. Among the beneficiaries were:

- The Children's Centre
- Food For the Poor Hurricane Relief Fund
- Jamaica 4 H Clubs
- Portmore Domino League
- National Blood Drive
- Fletchers Land Police Station
- United Nations Youth Ambassadors Program
- Environmental Coral Reef Preservation Initiative

BOARD OF DIRECTORS'

REPORT CONT'D.

- Sigma Corporate Run 2017
- JCCUL Hurricane Relief Fund

DELINQUENT LOANS

The Debt Management Committee of the Board provided oversight through the Debt Management Unit in monitoring this very critical area of the Credit Union's operations.

At the end of 2017 delinquency stood at 8.15% compared to 7.62% at the end of 2016. We continue to reallocate resources as needed to control delinquency. In the last quarter of the year, new strategies were implemented to even more aggressively tackle delinquencies. We expect more positive results in 2018 and beyond.

CHARGED-OFF LOANS

Accounts that were in arrears for a period in excess of 365 days and for which the accounts reflected a 100% provision for the debts were recommended to the Board by the Management for charge off. In keeping with our existing Rules, (Rule 38 (i) 1) which states that all such charged-off loans must be reported to the next Annual General Meeting by the Board of Directors, we hereby present that these loans, totaling \$104.31M as at December 31, 2017, were approved by the Board of Directors as Charged-Off Loans. These loans will continue to be managed for collections but will no longer be included as part of the current loans portfolio. We however continue with an aggressive procedure to collect as much of these outstanding loans as we can which will go directly towards our bottom line.

HUMAN RESOURCES

During 2017, your Credit Union sought to build on the gains of 2016 by focusing on staff engagement, staff morale and capacity

building. Another key area of focus was on operational efficiency through organizational structure review.

The reporting structures were realigned to better support the value chain resulting in improved efficiencies in the loan review process, greater focus on excellent and timely service delivery as well as improved accountability and communication.

To boost staff morale and engagement, meaningful adjustments were made to the benefits and some roles were given permanent status. The staff and their children were also treated to a Fun Day in August 2017 and tokens were distributed to staff for Mother's Day and Father's Day. This was a welcomed surprise for the staff. As customary, the Administrative Professionals were gifted in recognition of Secretary's Day and bun and cheese were distributed for Easter celebrations.

Staff events were executed in observance of national events with a view towards building cultural awareness among staff as well as to enhance staff engagement. These included Reggae Month & Jamaica Day, Emancipation Day & Independence Day and National Heroes Day.

Staff Development and capacity building remained an area of priority with training sessions for staff in all areas of the Organization.

The Directors and Volunteers also benefitted from training and development in

- Anti-Money Laundering/Combating the Financing of Terrorism Seminar
- POCA Training
- Corporate Governance
- Effective Nominating Committee Workshop

The Credit Union concluded 2017 with a staff complement of 275. COK also partnered with the Ministry of Labour, HEART Trust, National Youth Service and the Tourism Enhancement Fund to provide on the job training and experience to young professionals entering the job market. This was a successful initiative that provided a steady pipeline of screened talent for future employment.

During the year we saw key management movements, including:

Dr. Shaun Barnett-Radcliffe MIS Manger, demitted office.

Mr. Anthony Morris, Internal Auditor, demitted office

Mrs. Emma Thomas, Sales and Marketing Manager, demitted office

Mr. Stanford Hastings, Branch Manager, Mandeville, demitted office,

Mr. Richardo Jones, Internal Auditor, promoted to the Management Team.

Mrs. Sharna Ramsay, Risk and Compliance Manager, promoted to the Management Team.

VOLUNTEERS

After the last Annual General Meeting held in May 2017, the following persons were selected to serve the Credit Union to replace the Directors who resigned:

Director - Mrs. Maureen Dwyer

Director - Ms. Sharon Usim

Appendix II shows all members of the Board and their attendance at meetings.

For the administrative year 2017/2018, the following volunteers have indicated their unavailability to continue to serve:

Mr. Orville Christie - *Vice President*

Mr. Enoch Allen - *Supervisory Committee*

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

We record our appreciation and pay tribute to all our volunteers who continue to contribute selflessly of their time, skills and knowledge on the Board, in various sub-committees and standing committees, to ensure that the Credit Union remains a viable, efficient and compliant enterprise whose work is carried out in accordance with the policies and guidelines.

MONEY MASTERS LIMITED (MML)

Money Masters Limited (MML) is an associate of COK Sodality, with COK owning 22% of the Company's ordinary shares. The Credit Union earned a profit of \$2.47M (2016: -0.914M) on this investment in 2017. Your Board continues to closely monitor the progress of this investment, in anticipation of consistent long term returns to the Credit Union.

CORPORATE GOVERNANCE

During the year under review, the Board of Directors continued to place great emphasis on corporate governance and conducted appraisals of the operations of the Credit Union and its related Business Units through its monthly meetings and numerous sub-committee meetings such as Audit, Risk & Compliance, Finance & Policy, Credit, Debt Management, Information Communication Technology and Supervisory. Details on the number of meetings convened in 2017 and the percentage attendance are outlined in the table on the next page:

BOARD OF DIRECTORS'

REPORT CONT'D.

Meetings	Total No. of Meetings Held	Percentage Attendance
Audit, Risk & Compliance	4	63.89
Finance & Policy	11	61.82
Credit	23	64.57
Debt Management	11	45.45
Information Communication Technology	3	50.00
Supervisory	20	79.00

THE WAY FORWARD PLANS TO UPGRADE THE CORE FINANCIAL SYSTEM

In a continued effort to fulfill our strategic objective to use technology to drive growth, improve the customer service delivery channels and better serve our membership, we initiated a project to replace the existing Core Financial System in the financial year 2019.

A REFRESHED APPROACH TO COLLECTIONS

The Credit Union has taken steps to protect the interest of the membership at all times. In this regard, the increasing delinquency on unsecured loans will be cauterized by instituting the following measures.

1. The Credit Union will be using the full extent of the law in recovering from grossly delinquent unsecured members through the Resident Magistrate Court.
2. The Credit Union has increased the contacts with delinquent members by employing more individual collectors

and enhancing our Call Centre activities with regards to delinquent members.

APPRECIATION

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

We thank you, our members for your dedication and support; as well as the confidence you have placed in us as we strive to serve COK Sodality Co-operative Credit Union Ltd.

For, and behalf of the Board of Directors,



Steadman Pitterson
President

APPENDIX I

OUR PRODUCTS AND SERVICES

1. PARTNER PLAN

PARTNER PLAN	2014	2015	2016	2017	Change in 2017
Members in Plan	2567	2947	3346	3614	8%
Value	\$89.85M	\$109.9M	\$140.3M	\$164.1M	17%

The Partner Plan which continues to be one of our Credit Union's best-selling savings plans has continued to record steady growth. At the end of December 2017 there were 3614 members with a Fund Value of \$164.1M.

These numbers represented increases of 8% and 17%, respectively, year-on-year. The Partner Plan, which is used by our members to save to meet short-term financial obligations, pays a bonus based on the value of the hand contributed by members and their timeliness in making their contributions.

Members can select savings period of 16, 24, 36 or 48 weeks and are paid bonuses based on the table 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 payments	35% of weekly hand
36 weeks (9 months)	No more than THREE late payments	80% of weekly hand
48 weeks (12 months)	No more than FOUR late payments	150% of weekly hand

2. FIXED DEPOSIT

FIXED DEPOSIT	2014	2015	2016	2017	Change in 2017
No. of Members	11,837	11,545	11,173	11,129	-0.4%
Value	\$2.69B	\$2.65B	\$2.44B	\$2.43B	-0.4%

The Fixed Deposit Portfolio has been experiencing declining results for the past four years. For 2017, the number of members with Fixed Deposit Accounts declined by 4 percentage points and the Fund value by 4 percentage points.

APPENDIX I

CONT'D.

The performance, we believe, is as a result of the lowering of interest rates being offered on savings.

Members desirous of establishing a Fixed Deposit Account need to have a minimum of \$10,000.00 and may choose to save for 30, 60, 90, 180 or 365 days.

3. COK PENSION PLAN

COK PENSION PLAN	2014	2015	2016	2017	Change in 2017
No. of Members	5,243	5,804	6,297	6,625	5%
Value	\$237.5M	\$304.4M	\$364.5M	\$434.6M	19%

COK's Pension Plan continued to achieve steady growth year-over-year over the last four years. Growth for 2017 in terms of the number of members was 5% and the value of the fund was 19%.

The COK Pension Plan is open to self-employed and contract workers who are not members of a pension plan as well as members employed to organizations where there are no pension plans for employees.

Members can save up to 20% of their gross annual income and earn tax free benefits. The normal retirement age under the Plan is 65 years for both male and female. However, members can apply for early retirement which is usually 10 years before normal retirement or late retirement which is usually up to 5 years after normal retirement age.

4. GOLDEN HARVEST

GOLDEN HARVEST	2014	2015	2016	2017	Change in 2017
New Members	3,027	2,698	3,430	2,862	-17%
Total Members	3,945	3,909	4,266	4,622	8%
Value	\$541.8M	\$610.2M	\$693.3M	\$838.6M	21%

The Golden Harvest Savings Plan allows members to save for a period of 1 to 5 years and offers an attractive interest rate. There were mixed results for 2017. There was a decline of 17% in terms of new members to the Plan. However, the total number of members increased by 8% and there was a promising increase of 21% in the value of the Fund.

5. FAMILY INDEMNITY PLAN

FAMILY INDEMNITY PLAN	2014	2015	2016	2017	Change in 2017
Members	7,546	7,888	8,312	8,852	6%

The Family Indemnity Plan (FIP) is a death benefit group insurance plan which covers the member and up to five family members for one monthly premium ranging from \$422.40 to \$5,280.00. The FIP offers seven plans with coverage ranging from \$80,000.00 to \$1,000,000.00 per member.

In 2017, there were 8,852 members on the plan which represents an increase of 6% year-on-year.

6. STANDING ORDER PAYMENTS

STANDING ORDER PAYMENTS	2014	2015	2016	2017	Change in 2017
Transactions	5,371	5,018	4,453	4,218	-5%
Institutions Paid	12	12	13	14	8%

On members' instructions, payments are made on their behalf to various institutions. This is a service which offers peace of mind for periodic payments. The figures above reflect a decline of 5% in the number of transactions processed; while there was an increase of 8% in the amount of institutions to which payments were submitted.

7. COK XCHANGE – CAMBIO SERVICES

CAMBIO	2014	2015	2016	2017	Change in 2017
Amount Traded	US\$13.6M	US\$21.2M	US\$18.8M	US\$19.2M	2%
Earnings	J\$5.3M	J\$8.63M	J\$10.35M	J\$10.56M	2%

During 2017, COK Cambio FX Trade analysis showed a marginal increase in profits of 2% when compared to profits achieved in 2016.

8. COK REMITTANCE SERVICES

REMITTANCE (Sub Agent)	2014	2015	2016	2017	Change in 2017
No. of Transfer	49,066	39,642	32,757	27,792	-15%
Value	\$1.32B	\$1.09B	\$985.1M	\$696.8M	-29%

During 2017 there was continued decline in the operations of the COK Remittance Services. The number of transfers was 27,792 and represented a decline of 15% while there was a decline of 29% in the value of transactions processed.

APPENDIX II

ATTENDANCE AT DIRECTORS' MEETING

Name	Position	Meetings	Attended	Excused
Mr. Steadman Pitterson	President	10	10	0
Mr. Orville Christie	Vice President	10	8	2
Mr. Ewan Shaw	Treasurer	10	10	0
Mr. Michael Martin	Assistant Treasurer	10	10	0
Mrs. Maureen Clarke-Dwyer	Director	4	4	0
Mr. Clive Medwynter	Assistant Secretary	10	10	0
Ms. Carol Anglin	Director	10	10	0
Ms. Sharon Usim	Director	4	4	0
Mrs. Debbie-Ann Gordon Crawford	Director	10	6	4
Ms. Vinnate Hall	Director	10	6	4
Mr. Maurice Lewin	Director	10	6	4

TREASURER'S

REPORT

The year 2017 was an important year for COK Sodality Co-operative Credit Union Ltd. We proudly marked our 50th Anniversary of serving our members and strengthening ties with the various communities we serve. Against that background, COK Sodality was cognisant of the economic changes that would have impacted our financial performance, and as such we implemented a range of strategies.

Although there was great improvement in Jamaica's macroeconomic fundamentals, there were concerns about the recent upward movements in the crime rate statistics, which has negatively impacted our diaspora connections. Overall confidence in the economy continued during 2017, as Jamaica experienced the highest rate of increase in employment over the last ten years. This was evident as COK Sodality's savings portfolio grew from J\$7.19B to J\$7.7B. Additionally, despite all the weather-related setbacks, the inflation rate as at December 2017 stood at 5.2 percent, which was in line with the target of 4 percent to 6 percent set by the Minister of Finance.

The encouraging growth conditions in Jamaica's economy also allowed for more of our members to access a variety of loan products including micro loans which contributed to COK's ability to make a surplus of J\$221M (2016:J\$208M) before audited provision. Consequently, the Credit Union realized a business surplus of \$67.24M (2016: \$55.52M).

The Board and Management Team will continue to implement strategic plans which will enable the Credit Union to remain relevant, efficient and financially viable.

PERFORMANCE

There were significant financial impacts within the 2017 financial year which resulted in the Credit Union achieving a number of positive results. These included:

8.26% growth in the Loan Portfolio – increased by \$454M, to close at \$6.34B, (2016 - \$5.86B)

7.42% growth in the Savings Portfolio – increased by \$577M, to close at \$7.77B, (2016 - \$7.19B)

4.95% growth in Permanent Shares – increased by \$28M to close at \$565M (2016 – 537M).

10% increase in interest income from investments by \$11.10M to close at \$123M (2016:\$112M)

Non-interest income grew by 24% or \$77.6M – Actual \$395M (2016 - \$317M)

Interest income from loans increased 6% or \$52.59M - (2017:\$962M) vs. (2016:\$909M)

There were however some areas that underperformed for the 2017 financial year, and as such impacted the Credit Union's performance negatively. These included the following:

Total provision grew y/y by 3% or \$4.57M; (2017:\$156m) vs. (2016 \$151.6M) as members continue to dishonour their loan obligations to the Credit Union.

Year over year Other Financial Cost increased by 5% (2017: \$35.67M vs. 2016: \$33.84M)

Operating Expenses increased y/y by 13% or \$117.33M (2017: \$1.04M vs. 2016:

TREASURER'S

REPORT CONT'D.

\$926M) of which union negotiated staff cost contributed to over \$63M.

DEBT MANAGEMENT PLAN

As at the end of December 2017 the delinquency rate was 8.15% (2016:7.83%).

Even though there was a slight increase in the year over year delinquency rate, the Debt Management Unit continued to collect on charged-off loans, resulting in an increase in the bottom line. (See graph below)

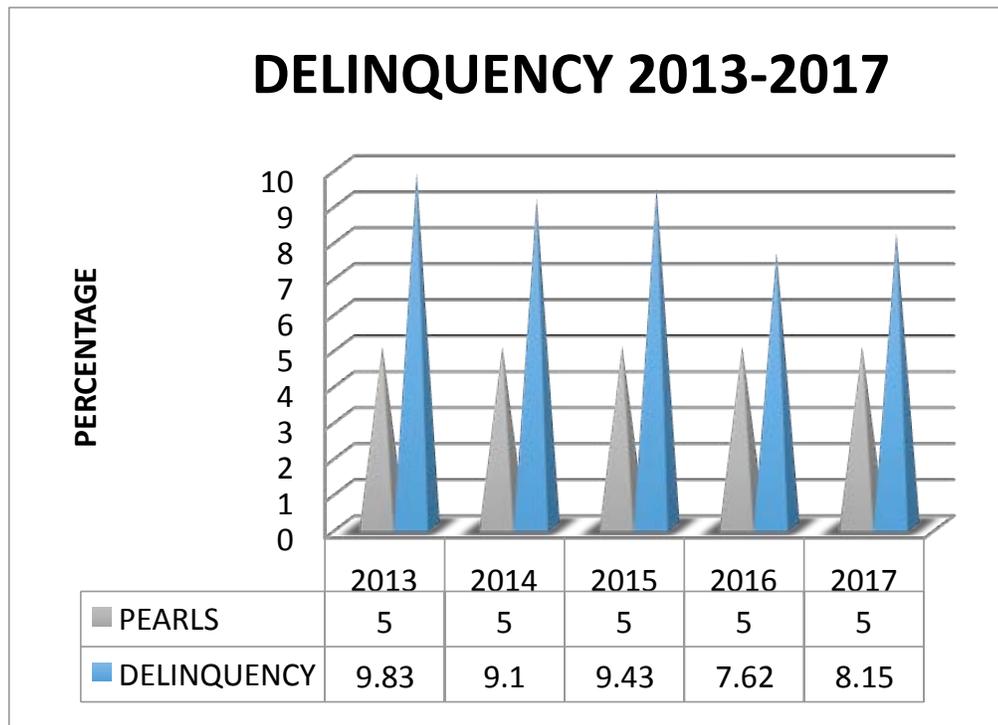


Table 2 below summarizes the results of the Credit Union's operations for 2017 as compared to 2016.

TABLE 2
ANALYSIS OF CHANGE IN INCOME & EXPENDITURE 2017 VS. 2016

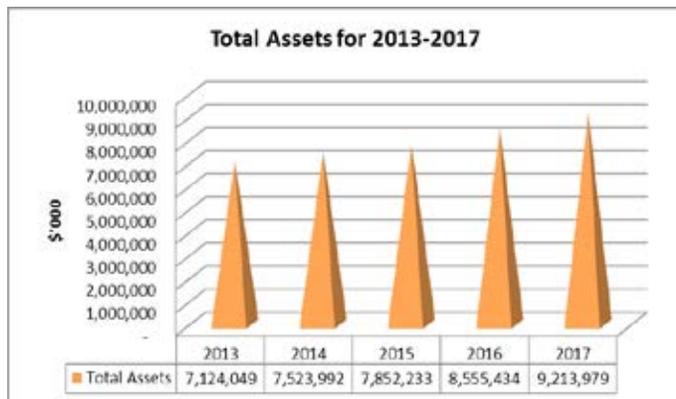
	\$` 000	\$` 000	\$` 000	
	2017	2016	VARIANCE	Percentage (%)
INTEREST INCOME				
Members' Loans	962,204	909,611	52,593	6%
Investments and Deposits	123,110	112,018	11,092	10%
TOTAL INTEREST INCOME	1,085,314	1,021,629	63,685	6%
INTEREST EXPENSE				
Members' Deposits	(180,001)	(167,947)	(12,054)	-7%
External Credits	(278)	(3,111)	2,833	91%
Other financial costs	(35,671)	(33,844)	(1,827)	-5%
Total Interest Expense	(215,950)	(204,902)	(11,048)	-5%
NET INTEREST INCOME	869,364	816,727	52,637	6%
NON-INTEREST INCOME				
Fees	209,740	203,420	6,320	3%
Dividends on Equity	1,559	536	1,023	100%
Other Income	183,936	113,682	70,254	62%
Total non-interest income	395,235	317,638	77,597	24%
Gross margin before provision & expenses	1,264,599	1,134,365	130,234	11%
Less Operating Expenses	(1,043,616)	(926,289)	(117,327)	-13%
Surplus for the year before provision	220,983	208,076	12,907	6%
Provisions:				
Allowance for loan losses	(131,607)	(107,956)	(23,651)	-22%
Allowance for interest losses	(1,922)	(24,049)	22,127	92%
Allowance for losses on other assets	(22,682)	(19,638)	(3,044)	-16%
Total provision	(156,211)	(151,643)	(4,568)	-3%
Surplus/(Loss) for the year before exceptional allowance				
exceptional allowance	64,772	56,433	8,339	-15%
Add Share of Profit (Loss) of Associate	2,471	(914)	3,385	370%
Surplus for the year	67,243	55,519	11,724	-21%
Other Income/Loss	(8,524)	4,091	(12,615)	308%
Total Comprehensive Income/Loss	58,719	59,610	(891)	1%

TREASURER'S

REPORT CONT'D.

GROWTH

The Credit Union's Total Assets increased by \$658M (2016:\$724M) over the comparative period 2016 to close at \$9.21B. The growth in Total Assets was mainly due to a \$484M increase in the Loan Portfolio. (See graph below).

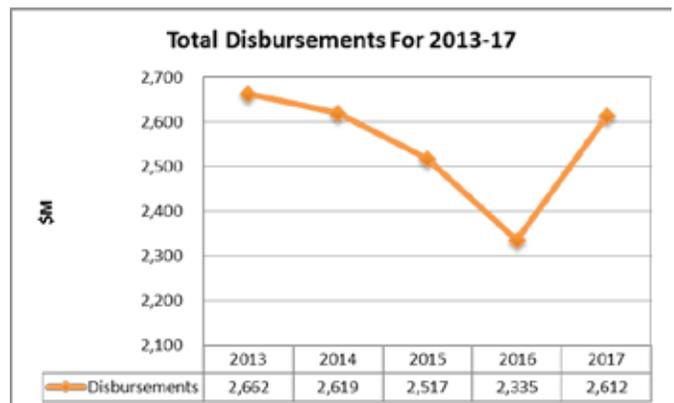
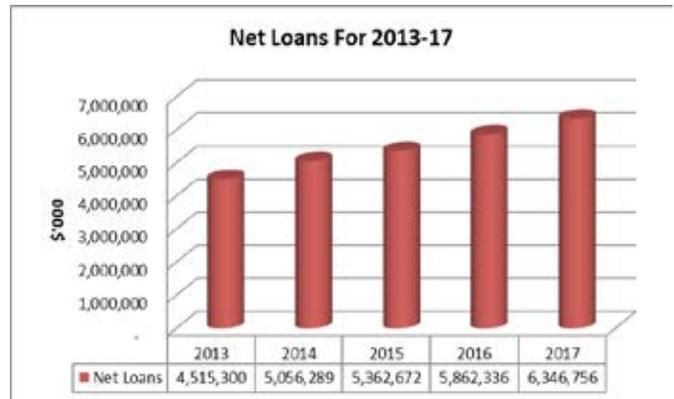


LOANS

Gross loans increased significantly year over year by \$484M (2016:\$516M) to \$6.34B. Disbursements for 2017 were \$3.22B (2016:\$2.98B) or \$236M more than 2016. The competitive and declining interest rates environment continued during 2017. We provided our members with attractive rates and products during the year as we introduced a number of loan promotions. Among these were the new car loan promotion and a number of diverse micro finance loan initiatives. Despite the reduction in loan yields, the Credit Union achieved 95% (2016:86%) of its projected loan interest income for 2017. Interest income from loans was \$962M compared to \$909M for the 2016 period. Our net loan to asset ratio at the end of the financial year was 68.88% (2016:68.49%) - well within the PEARLS standard of 60-80%.

Additionally, COK Sodality continued to streamline our credit assessment and policies, and also used the Credit Bureaus. This has resulted in COK obtaining better

quality loans even as it seeks to grow the loan portfolio. (See graph below).



PROVISIONS

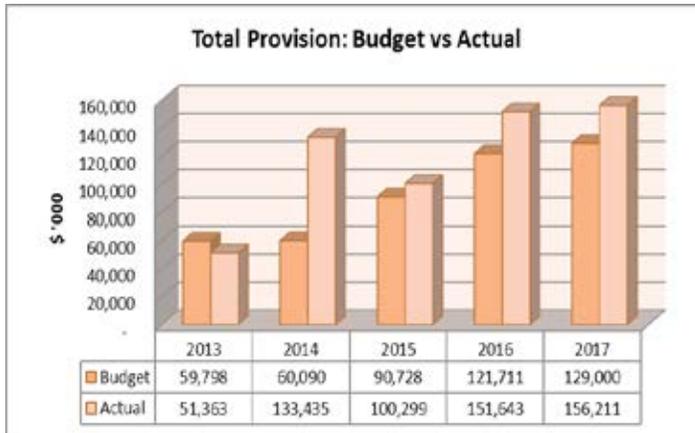
A number of members continue to exhibit poor loan repayment patterns, which negatively impacted the bad debt provision for the year.

The Credit Union made the following provisions during the 2017 financial year:

Loan loss provision of \$131M (2016:\$107M) and net Loan loss provision of \$156M (2016:\$107M). The Credit Union was able to attain 8.15% (2016:7.83%) delinquency level. While our ultimate objective is achieving the PEARLS standard of 5% delinquency or less, we are aware that this may not be achieved in the short term and have put in enhanced collection methods to gradually reduce the delinquency ratio.

Loan Interest Receivable provision is \$1.9M (2016: \$24M). Delinquent loans and advances on which interest is no longer accrued amounted to \$303M (2016:\$442M). As such, interest previously accrued and remained unpaid was written off from Interest Income during the year.

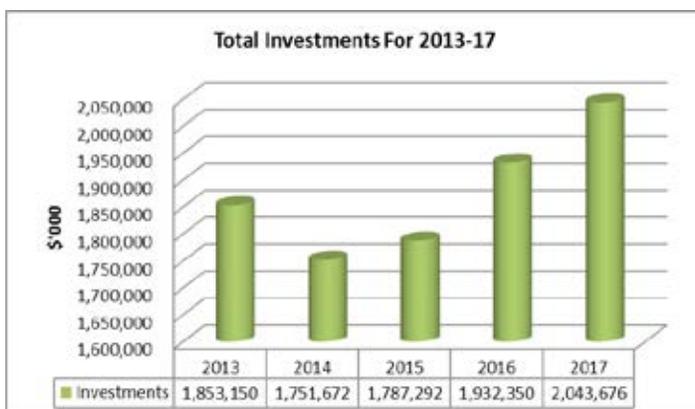
Provision for Other Assets recorded an increase of \$3.08M (2017:\$22.68M vs. 2016:\$19.6M). Efforts to recover the outstanding amounts are still being pursued assiduously. (See graph below).



INVESTMENTS

As at December 2017, the investment portfolio was \$2.04B (2016:\$1.93B). Interest Income earned from investments was \$123M (2016:\$112M), growing by 10% or \$11M for the 2017 financial year. This was mainly due to strategic long term investments in secure corporate bonds that yielded higher returns than GOJ instruments.

The bond market remained flexible during 2017. The Credit Union earned \$32.4M in income from trading during the 2016 financial year. (See graphs below).



Comparison between Shares and Savings Deposit for 2013-17



SAVINGS & DEPOSITS

The savings portfolio increased by \$577M to \$7.7B (2016:\$7.1B) from the normal course of savings.

Interest expense on deposits increased by \$9.2M or 5% to \$180M (2016:\$171M). (See graph below).

Liquidity as a % of Savings 2013-2017



MEMBERSHIP-PERMANENT SHARES

For 2017 the Credit Union's new membership for adults was 5,451 (2016:5,272); while for C.A.R.E.S. new membership totaled 2,739 (2016:2,336) Permanent shares increased by \$27.94M (2016:\$36.38M) when compared to 2016. COK Sodality now has over 171,260 (2016:81,436) members being fully compliant out of a total active membership of 277,191 adults. Several initiatives were implemented in 2017 to encourage our members to become permanent share compliant. These included the Re-Activate and Save Promotions which ran throughout the year. (See graph on the next page).

TREASURER'S

REPORT CONT'D.



THE WAY FORWARD

The strategic objectives for the 2018 financial year are to:

- Grow our loan portfolio by 15%
- Reduce the delinquency ratio to 7%
- Increase interest income by 5%

INCOME GROWTH

The focus of COK Sodality Co-operative Credit Union in 2018 is the continued growth in savings and loans, management of delinquency and, by extension, growth in assets. Additionally, the Credit Union will continue to grow and balance the risk profile of the loan and investment portfolios in order to achieve growth in loan and investment income.

The continued emphasis on the growth of the Micro portfolio will be on-going as an area of strategic focus for 2018. In addition, the Credit Union will be diligently looking at other investment vehicles and low risk structured financing opportunities to boost our investment income.

COST MANAGEMENT

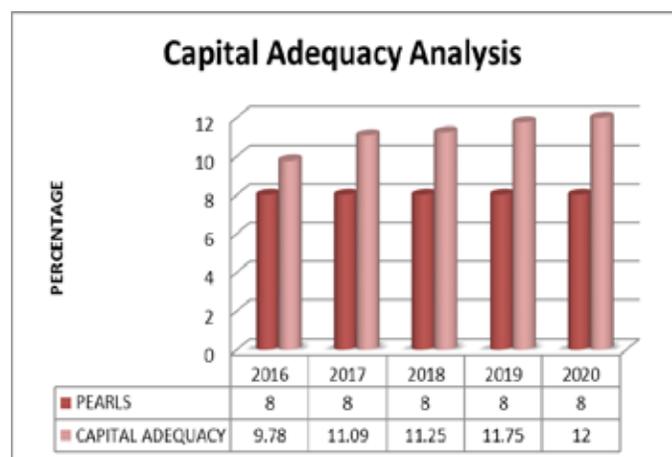
COK Sodality will continue to make cost containment a culture within the Credit Union, with emphasis on efficiency management. We believe that an efficient COK Sodality will ultimately lead to world class customer service delivery which will eventually lead to volume growth.

In 2018, COK will continue to enhance our core banking system as well as improve our website and our online banking facility, by providing our members with several payment channels to deposit funds to their accounts. These initiatives, we believe, will improve our time to market our varied products; a faster turnaround time for loans, as well as give our membership an enhanced in-branch and out of branch service.

We continue to carefully monitor our resources in order to ensure, where necessary, that COK Sodality will have the right fit to deliver on our objectives.

CAPITAL ADEQUACY

In 2018, the Credit Union will boost its capital adequacy ratio by increasing its permanent shares through membership growth and compliance; as well as the planned contribution from surplus of approximately \$151.61M, to achieve the 2018 capital adequacy ratio of 11.25%. (See graph below).



CONCLUSION & ACKNOWLEDGEMENTS

Despite the various challenges associated with operating in a highly competitive environment, COK Sodality Co-operative Credit Union Ltd. is here to make its mark on the Jamaican economy, as we are positioned to sustain surplus projections. The Credit Union remains committed to providing financial solutions to our membership in a cost effective, sustainable and efficient manner. We are a safe repository for savings and investments and, despite the fragile and challenging economic environment in which we currently operate, we remain very positive in our ability to play an important part in fostering financial independence and creating wealth for our members. COK's primary mission is to improve our members' well-being. We pledge to continue providing those opportunities so that you, our valued members, can achieve your goals for years to come.

I wish to thank the management and staff of COK Sodality Co-operative Credit Union for remaining steadfast in their duties to the organization. It is never easy to operate in a dynamic and ever changing financial environment.

Special thanks to the Department of Co-operatives and Friendly Societies and The Jamaica Co-operative Credit Union League for their guidance and support during the year. Thanks to our Auditors, KPMG, who conducted and completed their audit in a timely manner.

Finally, as Treasurer I am grateful to you, our valued members, for your continued support of COK Sodality Co-operative Credit Union and for the opportunity to have served in this capacity.



Ewan Shaw

Treasurer

PROPOSAL FOR THE FIXING OF MAXIMUM LIABILITY

To 31st December 2018

In keeping with Rule 70, it is proposed that Maximum Liability to December 31st, 2018 be set at \$11.2B, being 12 times the 2017 total capital, inclusive of Deferred Share of \$500 million, projected at \$1B.

For and behalf of the Board of Directors



Ewan Shaw

Treasurer

TREASURER'S

REPORT CONT'D.

2018 BUDGET				
REVENUE AND EXPENDITURE STATEMENT				
2017				2018
BUDGET	ACTUAL	+ / (-)	%	BUDGET
\$'000	\$'000			\$'000
1,003,053	962,204	(40,849)	(4)	INTEREST INCOME
102,367	123,110	20,743	20	Members' Loans
1,105,420	1,085,314	(20,106)	(2)	Investments and Deposits
				1,084,602
				115,193
				1,199,795
				FOR WHICH OUR INTEREST COST AND OTHER EXPENSES WERE
167,794	143,620	24,174	14	INTEREST ON MEMBERS' DEPOSITS
34,502	36,381	(1,879)	(5)	INTEREST ON MEMBERS' SHARES (DEFERRED)
129,002	156,211	(27,209)	(21)	LOANS AND OTHER PROVISIONS
43,339	35,671	7,668	18	OTHER FINANCIAL COSTS
3,847	278	3,569	93	INTEREST ON EXTERNAL CREDIT
378,484	372,161	6,323	2	382,867
726,935	713,153	(13,782)	(2)	816,928
		395,235		LEAVING A NET INTEREST OF
0	6,532	6,532	0	AND WE ADD NET EARNINGS FROM NON- INTEREST SOURCES
15,003	11,648	(3,355)	(22)	REMITTANCE SERVICES
350,642	377,055	26,413	8	CAMBIO SERVICES
365,645	395,235	29,590	8	FEES AND OTHER INCOME
				391,325
				MAKING OUR GROSS MARGIN BEFORE OPERATING EXPENSES
1,092,553	1,108,388	15,835	1	1,208,253
				FROM WHICH WE DEDUCT OUR OPERATING EXPENSES
1,017,271	1,043,616	(26,345)	(3)	976,572
75,282	64,772	(10,510)	(14)	LEAVING AN OPERATING INCOME/(LOSS)
1,000	2,471	1,471	147	ADD SHARE OF PROFIT OF ASSOCIATES
76,282	67,243	(9,039)	(12)	1,000
				LEAVING A NET INCOME
				152,608

2018 BUDGET

BALANCE SHEET STATEMENT

2017				2018		
BUDGET	ACTUAL	Variance			BUDGET	
\$ '000	\$ '000	\$ '000	%		\$ '000	
OUR ASSETS						
7,202,999	6,346,756	(856,243)	-12%	LOANS TO US AS MEMBERS	7,285,709	
1,694,063	2,175,545	481,482	28%	OUR INVESTMENTS IN OTHERS	1,996,056	
35,620	160,065	124,445	349%	CASH IN HAND & AT BANK	115,889	
269,527	281,775	12,248	5%	OWING TO US BY OTHERS	261,125	
230,129	249,838	19,709	9%	FIXED ASSETS WE PURCHASED	242,715	
9,432,338	9,213,979	(218,359)	-2%	MAKING OUR GRAND TOTAL ASSETS	9,901,494	
					% GROWTH PROJECTED	7.46%
SOURCES FROM WHICH OUR ASSETS ARE FINANCED						
2,664,500	2,664,015	(485)	0%	OUR SAVINGS IN SHARES	2,841,500	
5,284,187	5,111,267	(172,920)	-3%	OUR SAVINGS IN DEPOSITS	5,483,660	
7,948,687	7,775,282	(173,405)	-2%	MAKING OUR TOTAL SAVINGS	8,325,160	
478,547	489,707	11,160	2%	INSTITUTIONAL CAPITAL	506,536	
623,079	564,953	(58,126)	-9%	PERMANENT SHARES	593,823	
500,000	500,000	-	0%	DEFERRED SHARES	500,000	
6,566	15,687	9,121	139%	INVESTMENT REVALUATION RESERVE	16,220	
35,945	-	(35,945)	100%	LOAN LOSS RESERVE	35,945	
112,014	119,243	7,229	6%	PENSION RESERVE	123,553	
(614,466)	(624,264)	(9,798)	2%	NON-INSTITUTIONAL CAPITAL	(480,822)	
9,090,372	8,840,608	(249,764)	-3%	MAKING THE GRAND TOTAL WE OWN AS MEMBERS	9,620,413	
341,965	373,371	31,406	9%	WE OWED OTHERS AT YEAR-END	281,081	
					AGREEING THE SOURCES OF FINANCING WITH OUR TOTAL ASSETS	9,901,494
9,432,337	9,213,979	(218,358)	- 2%			

TREASURER'S

REPORT CONT'D.

<u>PRUDENTIAL INDICATORS</u>	<u>PEARLS</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</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	68.88	68.49	68.29	67.20	63.38
Liquid Assets / Total Assets	max 20	17.70	18.21	11.27	11.71	11.80
Financial Investments / Total Assets	max 10	7.69	4.37	12.6	13.12	15.78
Total Savings / Total Assets	70 - 80	84.39	84.14	88.14	87.58	88.75
Shares / Total Assets	10 - 20	28.91	29.42	29.10	29.12	30.38
Institutional Capital / Total Assets	min 8	5.31	5.56	7	6.66	7.58
ASSET QUALITY						
Delinquency (>1mth) / Gross Loan Portfolio	<= 5	8.15	7.83	9.57	9.10	10.42
Non-Earning Assets / Total Assets	<= 7	8.94	8.89	7.63	8.04	9.37
RATES OF RETURN AND COSTS						
Net Loan Income / Average Net Loan	mkt rate	14.71	14.5	32.63	13.54	14.67
Operating Expenses / Average Assets	<= 8	11.71	10.8	11.42	10.93	10.66
Net Margin / Average Assets	> 5	0.75	0.65	-0.19	-0.46	0.09
Loan loss provision / Average Assets	cover loss	1.47	1.54	1.99	1.49	1.55
LIQUIDITY						
Liquidity reserves / Total savings deposits	10	21.16	18.82	11.53	11.63	11.52
Non earning liquid assets / Total Assets	< 1	1.74	1.43	1.11	1.55	1.57
SIGNS OF GROWTH (YTD)						
Loans (gross)		7.63	9.3	7	12	12
Savings Deposits		8.42	3.5	5	2	2
Shares		5.52	2.2	4	0	1
Institutional Capital		2.86	2.6	-	-	-
Membership	5%		3%	1%	2%	2%
Total Assets	>= inflation	7.15%	9.20%	4%	5.50%	0.22%

SENIOR MANAGERS' TEAM



L - R: Mr. Deryke Smith, Chief Financial Officer; Ambassador Aloun Ndombet-Assamba, Chief Executive Officer; Ms. Linda Miller, Chief Operations Officer; Mr. Andre Gooden, Chief Business Development Officer

MANAGEMENT TEAM



Seated: Claudine Scott, Rexona Christie, Vevine Cameron, Marsha Cole-Hart
Standing: Richardo Jones, Sharna Ramsay, Juliet Henry, Emma Thomas, Ilyn Thompson
Missing: Dianne Bolton, Roshene Betton

MEMBERS OF OUR TEAM



CENTRALIZE SERVICES UNIT

Front Row (l-r): Kayan Wilson, Shenee Hope, Yashema Berdoe, Charlene Campbell.

Back Row (l-r): Juliet Henry (Manager), Natalee Hall, Desmond Henry, Juanique Holmes, Shana-Kaye Johnson.

Missing: Jessica Williams-Laing

ACCOUNTS

Front Row (l-r): Marlet Fender, Heather Wong-Franklin, Tamika Farquharson, Khalifah Campbell, Savaine Gordon, Tashara Roberts.

Back Row (l-r): Jason Leach, Deryke Smith (CFO), Yashica Byroo, Novardo Williams, Romaine Layne.



CENTRALIZE CREDIT UNIT

Front Row (l-r): Sitting (Left to Right): Vevine Cameron (Manager), Antoinette Lynch, Renee Grant, Ramonia Brown.

Standing (Left to Right): Clive Thompson, Drizelle McNamee, Trevor Dixon, Dianne Bolton, Denissa Newsome, Antonette Samuels, Kevin Dalberry.

Missing: Famar Edwards



DEBT MANAGEMENT UNIT

Front Row (l-r): Sitting (Left to Right): Shanae Williams, Tanisha Jarrett-Allen, Deidre Daley, Ilyn Thompson (Manager).

Standing (Left to Right): Tracy-Ann Gordon, Julli-Ann McEwan, Roxanne Lowther, Christopher Lowe, Deryke Smith (CFO), Shayan Hyatt, Rockiesha Miller, Christopher Dyer.



FINANCIAL SERVICES UNIT

Front Row Left - Right: Angella Brown, Lamar Virgo, Heather Wong-Franklin, Patrice Thomas-Hinds, Teasha Fraser-Griffiths.

Back Row Left - Right: Terry-Melissa Ballin, Deryke Smith (CFO), Renae Rattray, Shernel Simms, Sheryl Gordon.

HUMAN RESOURCE AND LEARNING

Left - Right: Akelia Douglas, Tashoy Hayles-Talbot, Khadene-Marie Fray, Marsha Cole-Hart (Manager), Barbara McKenzie, Dawn Gardner-Rose, Ayanna-Bibi Martin-McLean



MEMBERS OF OUR TEAM



LEGAL

Left - Right: Ornella Rodney, Merril Tomlinson, Roshene Betton (Legal Counsel).

OPERATIONS

Left - Right: Paul - Ann James, Juliet Henry (Manager), Linda Miller (COO), Karlene Brown.



PENSIONS

Left - Right: Britney Moriah-Gordon, Andre Gooden (CBDO), Jacqueline Simpson, Donica Bryan.



RISK AND COMPLIANCE

Left - Right: Roshene Clunis, Sharna Ramsay (Manager), Brian Dixon, Sashene Miller.



MANAGEMENT INFORMATION SYSTEMS

Sitting (Left - Right): Nicholas Smith, Claudette Seballo-Myrie, Delano Ross.

Standing (Left to Right): Christopher Stephenson, Omar Morgan, Nateisha McDonald, Akkullu Williams, John-James Campbell, Deryke Smith (CFO).



SECURITIES

Sitting (Left - Right): Thereece Stewart, Shelly-Ann Cargill, Winsome Whyllie-Tai, and Andre Corrie.

Standing (Left to Right): Horane Plunkett, Taferael Fowler, Rashel Heslop, Junior Pearce, Keneshia Goulbourne, Vevine Cameron (Manager).

Missing: Tanyshe Rhoden.



MEMBERS OF OUR TEAM



FACILITIES AND PROCUREMENT

Front Row (Left - Right):

Sandra Hibbert - Facey, Andrew Kirkland, Domalie Turner, Rexona Christie (Manager), Lorina Hastings.

Back Row (Left - Right):

Ryan Garvin, Winston Mckenzie, Otis Jackson, Errel Crooks. Absent: Lloyd Clarke.

RECORDS

Left - Right: Christal Nicely-Fisher, Dwayne Smith, Roxanne Lowther.

Absent: Althea White, Lorraine Broderick, and Angela Walker.



STRATEGIC PLANNING

Left - Right: Andre Gooden (CBDO) and Janet Tate

CAMBIO AND REMITTANCE

Left - Right: Shayon South, Abigale Scott, Andre Gooden (CBDO), Nadine Matthews.



MEMBER EXPERIENCE

Left - Right: Claudine Scott (Manager), Amoi Patrick-Tucker.

SALES & MARKETING

Left - Right: Joan Davidson, Emma Thomas (Manager), Shanice Hamilton, Sam-Wayne Wilson.



MEMBERS OF OUR TEAM



CEO'S OFFICE

Left - Right: Vivene Thompson and Ambassador Aloun Ndombet-Assamba (CEO).

INTERNAL AUDIT

Left - Right: Melicia Tait, Nekeisha Bonnick, Richardo Jones (Manager).

Missing: Kadian McDonald-Kidd.



HALF WAY TREE BRANCH

FRONT ROW (left to right):
Alene Donaldson, Jessica Wellington, Peta-Gaye Watson, Keron Brown-Young, Kaydian Malcolm, Leonie Forbes.

SECOND ROW (left to right):
Charmaine Changoo-Headley, Casmarie Sherwood, Clifford Brown, Venese Wright, Nadine Chin, Shelly-Ann Wint, Christina McCarty, Peter Downey, Lidice Ferguson, Racquel Williams, Roger Lim-Sang.

BACK ROW (left to right): Rajae Allen, Jena Wilson, Oral Sewell (Branch Manager), Jamoy Cooper.



CROSS ROADS BRANCH

FRONT ROW (left - right):
Anneta Mattocks, Tanesha Campbell, Claudette McPherson, Renae Burgess, Tina Livingston (Branch Manager), Nicole Shim, Jheanelle Simpson.

MIDDLE ROW (left - right):
Akeliyah Holmes, Rosalie Johnson, Dionne Johnson-

Roberts, Marcia Hunter-Anderson, Alicia Stewart-Box, Kimone Brown, Mecadian Lattibeaudierre, Isaac Fullerton, Lorraine Reid, Tasha-Gay Jackson, Justine Grant, Kassarine Lambert, Sharika Banks.

STANDING ROW (left - right): Travis Patterson, Navan Graham, Tesia Douglas, Glenesa Solomon, Santana Clayton, Anthoy Fagan, Waltson Doyley, Ajani Lue, Rasheid McKenzie and David Duval.

MISSING: Moya Lewis, Othneil Bailey, Odette Johnson

MEMBERS OF OUR TEAM



MANDEVILLE

SEATED FRONT ROW (left - right): Lashauna McKenzie, Allison Gordon, Stanford Hastings, Nadine Hutchinson, Jennifer Thomas

BACK ROW (left - right): Dimitri Richards, Kimblee Elliott, Simone Reid-Windeth, Colin Cotterell, Debbie James, Peta-Gay Bryan, Kaydene Mitchell, Amanda Heron, Telsia Thompson, Curtis Grindley



MONTEGO BAY

SEATED FRONT ROW (left - right): Geraldine Rosegreen, Alecia Wynter, Shade Allen, Renae Ellis, Pamela Maddan, Simone Case.

BACK ROW (left - right): Roger Shippey (Branch Manager), Marlane Clarke, Tenesha Crooks, Khalfani Stoddart-Kerr, Myranda Haughton, Samora Roper, Tiphonie Whyte, D'Andra Francis, Kishane Bigby, Marlan Vickers, Natasha Brown.

PORTMORE

SEATED (left - right):
Alicia Marriott, Renee
Johnson, Venice Griffiths,
Patricia Jones, Devine Gayle,
Krystal Brown

SECOND ROW (left - right):
Adenike Morris, Camian
Williams, Winsome Irving,
Morris Livingston (Branch Manager), Paula Satchell, Rashae Goldsmith, Jacqueline Goolgar-Bailey

BACK ROW (left - right): Kimberly Swaby, Kymani Wilson, Joel Harris, Nicholas Clarke, Shanae Mullings, Taylor Valentine.: Missing:- Sheena Watson, Antonette Irving-Chambers, Clinton Lewin.



MICRO UNIT

FRONT ROW- SEATED (left - right): Rusheda Hall, Christina McCarty, Andra Doyle, Shantiel Passley, Mario Frank.

SECOND ROW (left to right): Indra Williams, Odette Thomas, Marisa Williams, Simone Wint, Collett Thomas, Keisha Bird, Roan McIntyre, and Petal Goodhall.

THIRD ROW (left to right): Shellika Duncan, Khadrian Smallwood, Andrew Carter, Claud Sawyers (Manager), Feona Bennett, Kerisha Peart, Kamari Brown, Sheldon Gooden.

BACK ROW (left to right): Shemar McLean, Julane Daley, Curven Whyte, and Claudia Grant-Morris.

MISSING: Joel Harris, Shelly-Ann Stewart, Cavel Adams-Herah, and Glenroy Rowe.

ACTIVITIES

2017



1.



2.



3.



4.



5.

1. Presentation to the Jamaica 4-H Clubs
2. Presentation to Edna Manley Student
3. Food for the Poor Hurricane Relief Donation
4. St. Peter Claver Presentation
5. JCCUL Hurricane Relief Donation



6.



7.



8.



9.



10.

- 6. UN Ambassador Presentation
- 7. Portmore Dominoe Leagues Presentation
- 8. Blood Bank Collaboration
- 9. Renovation of Holiness Church Basic School
- 10. Labour Day Project - Fletcher's Land Police Station

ACTIVITIES

2017 CONT'D.





14.



15.



16.



17.



18.

- 11. Fletcher's Land Labour Day Project
- 12. Whitfield Town Community Cleaning up and Feeding Project
- 13. 2017 Health and Back to School Fair
- 14. Fletchers Land Labour Day Project.
- 15. Renovation of Holiness Church Basic School
- 16. 2017 Health Fair
- 17. Whitfield Town Community Cleaning up and Feeding Project
- 18. Renovation of Holiness Church Basic School

CREDIT

COMMITTEE REPORT



SEATED FRONT ROW (left - right): Jacqueline Lloyd Carter, Vivian Daley (Chair), Patrick Galbraith.

BACK ROW (left - right): Ewan Millen, Andral Shirley, Rohan Townsend.

MISSING: Annette Crawford-Sykes.

The year under review was characterized by increased competition consequent on the granting of two commercial banking licences, the first in the March quarter and the second in the September quarter. With governmental and central bank urgings, the policy shifts in interest rate calculations (as well as a new foreign exchange management system) caused an increase of 30.5 per cent in loans and advances to the private sector (\$125.7 billion) relative to the growth of 13.8 % (\$49.9 billion for 2016).

Although the macro- economic fundamentals continue to trend in the right direction e.g. (Debt to GDP fell to 110%); the level of crime and violence caused the government to divert resources in this area. Additionally, with the inclement weather and rising international commodity prices, the all-important growth agenda was derailed. The result was 0.5% growth against an increase of 1.5% in 2016 with an inflation outturn of 5.2 % relative to a target of 1.7 % for 2017.

DEVELOPMENTS & CHALLENGES

There continues to be mergers and acquisitions in our sector, with three in 2017. At least one, First Regional Co-operative Credit Union Limited has opened an office in Matilda's Corner. We will have to look outwards even regionally for the growth that will see us eliminating the non-institutional capital of JA\$599.9M that we are carrying.

The introduction of the accounting standard IFRS9 will have a profound effect on our lending portfolio and provisioning, and all loans granted will be risk rated with a concomitant provisioning quotient. Our lending, monitoring and collection practices will have to be enhanced with rigorous re-training and a robust M.I.S. upgrade to give us the necessary efficiency to take us into the new competitive paradigm. A careful analysis of our cost structures and lending rates must be undertaken going forward as we might not be able to always match other financial institutions' rates, having no

intrinsic knowledge of their cost structures. Already our major trading partners have signaled a return to more reasonable interest rate increases in keeping with inflation and we are now seeing an uptick in the rate of the Jamaican dollar versus the other reserve currencies held by the Bank of Jamaica as they unwind their balance sheets.

DELINQUENCY BY PRODUCT

The delinquency is indicative of the dilemma faced by the credit union with a rate of 7.83 % against a target of 7.00 % for 2017. The list of loan products seems inordinately long and the time is opportune to mount a vigorous marketing campaign or a serious review of the efficacy of such products and the associated carrying costs.

PORTFOLIO REVIEWS

One of the central duties of the committee is risk mitigation and, in this regard, 88 accounts were reviewed for an aggregate total of \$471,422,357.48. The focus for the greater part of 2017 was loans over \$5M. Of the 122 accounts as at May 2017 we have already reviewed 49, equating to

\$ 458,589,719.56 or 40% of that portfolio. The deficiencies were mainly non-compliance with agreed terms:

- Share requirements
- Repayment terms
- Life, property and motor vehicle insurance provision and renewals
- Up to date and periodic financial information and matters pertaining to the perfection of securities

The review process continues to identify gaps in the processes which are immediately

relayed to management for the appropriate actions to be taken.

GRAND TOTAL FOR PERIOD JAN 2017 TO DEC 2017	88	\$ 471,422,357.48
TOTAL LOAN PORTFOLIO \$5M AND OVER AS AT MAY 2017 TO BE REVIEWED	122	\$ 1,124,591,142.75
	# OF ACCOUNTS	\$ OF ACCOUNTS
% REVIEWED FOR LOANS OVER \$ 5M	40.16%	40.78%

CREDIT PERFORMANCE FOR YEAR ENDED 2017

It is gratifying to report that the credit department met its loan targets and as a result the Credit Union recorded a growth of 8.4 percent in line with its peer group result of 8.3 percent as at September 2017. The bar was set high in 2017 as the financial sector had loan growth of 16.7 percent and at least one of our members grew their loan portfolio by 15 percent which shows that consumers are prepared to switch allegiance and take advantage of the low interest rate regime.

PRODUCT PERFORMANCE

The performance of the products for 2017 are as shown on the next page:

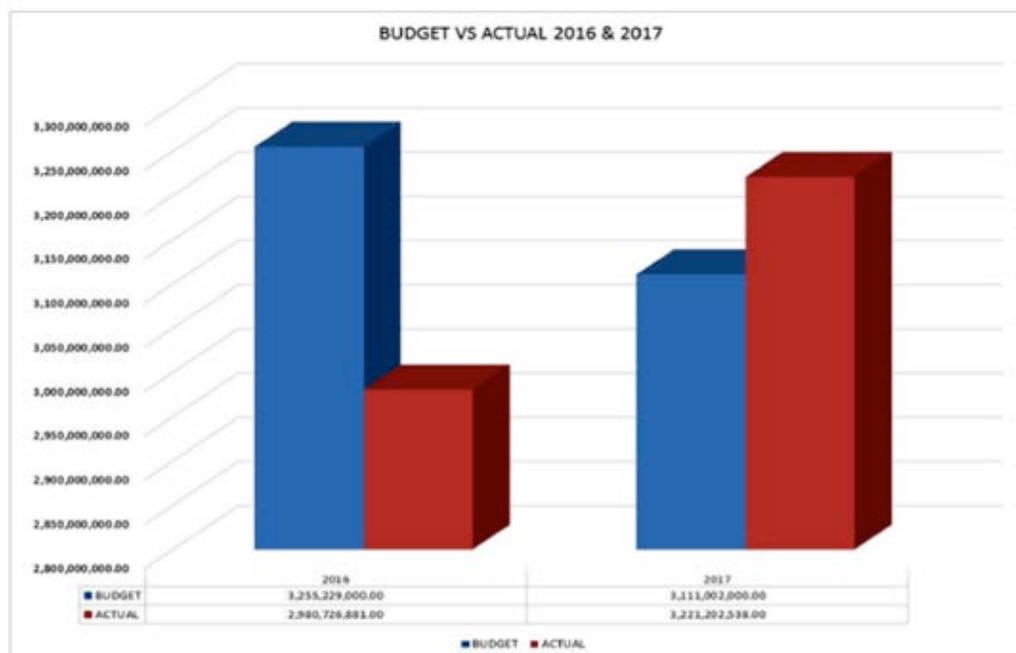
CREDIT

COMMITTEE REPORT CONT'D.

LOAN DISBURSEMENT BY PRODUCT

Product	YTD Budget	YTD Actual	% of target
COK Biz	27,000,000	1,386,463	5.1%
COK Pre-Approved Loans	27,500,000	1,659,486	6.0%
SCHOLAR	12,000,000	4,164,100	34.7%
COK Debt Con Plus	88,383,000	33,225,705	37.6%
Special Education	25,500,000	11,653,399	45.7%
FAST	371,150,000	200,758,453	54.1%
Home Equity Plus Loans	96,000,000	63,661,383	66.3%
Pay Day Loan	73,233,000	61,161,793	83.5%
Loans within Deposits	339,661,000	333,162,562	98.1%
Loans within Shares	492,324,000	523,825,354	106.4%
Micro Loans	644,000,000	715,973,298	111.2%
Staff Loans	63,202,000	79,483,846	125.8%
SCHOLAR PLUS	39,500,000	51,829,823	131.2%
Motor Vehicle	616,609,000	817,637,922	132.6%
Home Equity Loans	171,000,000	251,671,191	147.2%
Mortgage	24,000,000	55,298,210	230.4%
Mortgage Refi	-	60,641	-
COK Pensioners Loan	-	700,000	-
NIF/SME	-	-	-
COK PRO PLUS	-	-	-
COK Debt Con Loan	-	4,886,000	-
COK Pensioners Plus Loan	-	1,601,623	-
Ratio Loans	-	7,401,285	-
TOTAL	3,111,062,000	3,221,202,538	103.54%

BUDGET VS ACTUAL 2016 & 2017



TOTAL LOAN PORTFOLIO

The total loan portfolio as at December 2017 was \$ 6,570,127,307. Of the loan types, eight loan products dominated the portfolio, namely:

- Motor vehicles J\$1.800B
- Mortgages J\$797M
- Micro J\$746M
- Fast J\$468M
- Loans within shares and deposit J\$723M
- Staff J\$232M
- Debt consolidation J\$153M
- Scholar plus J\$119M

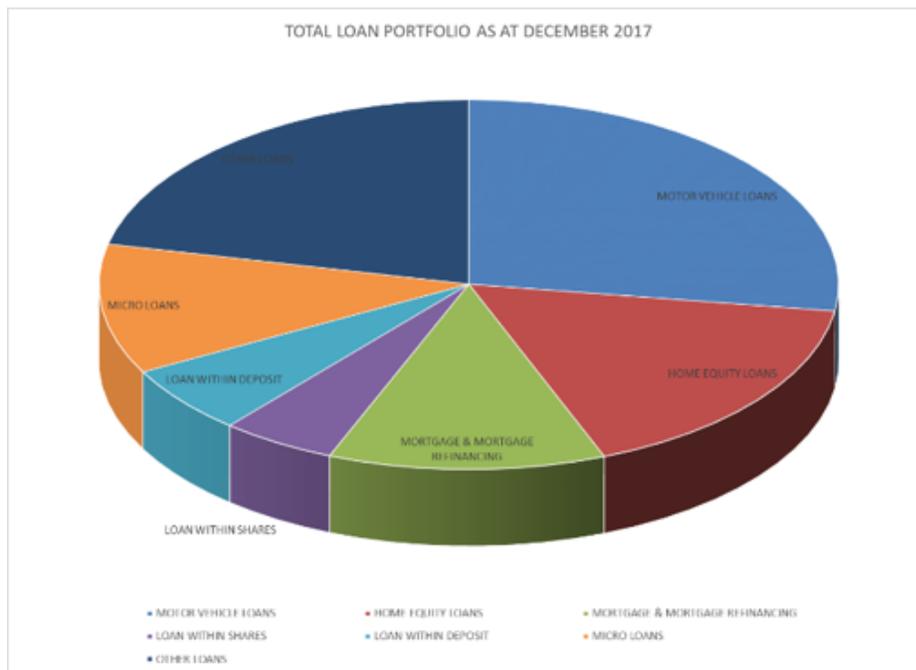
These products represent 77 percent of the loan portfolio. Our ongoing marketing efforts must therefore be geared towards maximizing growth in these areas as well as the pensioners market which continues to be underserved.

The Business Product Outsourcing (BPO) sub-sector is expanding in Montego Bay, the Portmore municipality, Mandeville and Kingston & St. Andrew where we have strong representation. This sub-sector

seems to be maturing; and already corporate Jamaica is embracing this development with new construction projects together with public/private partnerships by refurbishing and expanding existing government facilities. The Factories Corporation is also planning new facilities in town centers across Jamaica - all geared towards this sub-sector, and we should aim to expand our services accordingly.

ACHIEVEMENTS OF THE CENTRALIZED CREDIT UNIT

- Improvement in the efficiency of the loan process. Turnaround time now reduced to one day for a decision once all documentation is in place
- Enhancement of some loan products to make them more marketable - for example the introduction of 100% financing on motor vehicles
- Providing support with respect to the IFRS 9 project. COK has engaged a software supplier (ECM) that will assist in the automation of the risk rating exercise going forward and monitoring of same thereafter.



- Extensive training of backup Credit Officers who process loans during high volume periods. This team has been expanded to six (6) members.
- Enhancement of operational procedures for business loans; and, with the appointment of a seasoned Credit Officer, we have seen vast improvement in the turnaround time

CREDIT

COMMITTEE REPORT CONT'D.

- Refinement of documentation requirements at the point of origination in branches as well as at the securities and disbursement levels which reduced the level of delays and thus positively impacted turnaround time.

POLICY RECOMMENDATIONS

The recommendations to the management span the following areas and are receiving the requisite attention:

- Debt service ratio
- Rule book changes
- Motor vehicle percentage financing
- Risk/Reward system for special mention loans
- Debt recovery strategies
- Amendment to the commitment/ offer letter

ATTENDANCE AT CREDIT COMMITTEE AND OTHER MEETINGS

There were 25 meetings scheduled for the year and attendance was generally good with apologies being tendered in instances of absence. Committee members were rostered to attend Board, Finance & Planning, Debt Management Committee and Information Communication & Technology Committee meetings to lend their contributions to the deliberations, based on their area of specialty.

NAMES OF COMMITTEE MEMBERS

The duly elected members at the 50th Annual General Meeting held on May 10, 2017 served in the following capacities:

Messrs

Vivian Daley	Chairman
Andral Shirley	Member
Rohan Townsend	Member

Patrick Galbraith	Member
Ewan Millen	Member (replacing Sharon Usim)

Mesdames

Jacqueline Lloyd-Carter	Secretary
Annette Sykes	Member

ACKNOWLEDGEMENTS

The committee thanks the Board of Directors for their guidance, the management and staff especially the credit department for their assistance in a difficult and competitive environment. We also thank you, the members, for your confidence reposed in the team.

CONCLUSION

The IFRS9 challenges ahead will dictate how we approach adjudication on loans with emphasis on risk mitigation, especially when the new software is implemented in the electronic scoring of loans and the attendant enforced provisioning. The team however, is being trained and sensitized to the new modus-operandi and should be well equipped to discharge their duties in the usual professional manner.

The ensuing year will be challenging for the management of the Credit Union and credit staff especially; and all units are being encouraged to raise their level of efficiency in booking good loans. You, the members, are enjoined to honour your obligations to COK Sodality Co-operative Credit Union, be it savings or good lending opportunities or recommending our services to family and friends so that COK can weather the 'storm clouds' that are gathering.



Vivian Daley,
Chairman-Credit Committee

SUPERVISORY

COMMITTEE REPORT



FRONT ROW (left - right): Enoch Allen, Dianne Edwards, William Graham (Chairman)

BACK ROW (left - right): Kenneil Blake, James Wood, Shridath Brown.

MISSING: Charmaine Newsome.

The Supervisory Committee, according to The Co-operative Societies Regulations, 1950, Section 40 (3) (c), is a committee elected by the members of the Credit Union at the Annual General Meeting for the purposes of Audit and Supervision.

In executing our responsibilities, the Committee is supported by the Internal Audit Department which operates by a mandate that allows for the examination of the affairs of the Credit Union at intervals. The Committee authorises and ratifies audit investigations, carries out its own investigations into members' complaints; and conducts other activities to strengthen the governance processes of the Credit Union. Acting as the watchdog of the credit union, the Committee works assiduously to ensure that the operations of the organization are aligned with its Mission and Vision as well as adhere to its governing policies and rules.

The Supervisory Committee of COK Sodality consists of seven (7) members, in-keeping with Article X, Section 48 (i) of the Rule Book.

The committee members, who were duly elected at the 50th Annual General Meeting held on the 10th day of May, 2017, served in the following capacities:

Mesdames:

Maureen Dwyer - Secretary
Charmaine Newsome - Member

Messrs:

William Graham - Chairman
Enoch Allen - Member
Kenneil Blake - Member
Shridath Brown - Member
James Wood - Member

Dianne Edwards began serving as Secretary in October 2017, having replaced Maureen Dwyer who was appointed to the Board of Directors.

ROLE AND RESPONSIBILITIES

The Supervisory Committee's mandate is to conduct continuous evaluations of the extent to which the Management and

SUPERVISORY

COMMITTEE REPORT CONT'D.

Staff undertake their respective functions, in accordance with the policies and rules laid down by the Board of Directors and the Co-operative Societies Act. Findings and recommendations are submitted at the Board of Directors' meeting for their attention.

A breakdown of the audits and activities for the year under review appears below for the general membership at this Annual General Meeting.

AREAS OF FOCUS

Loan Review

Accounts Payable

Retirement Scheme

Proceeds Of Crime Act/Anti-Money Laundering Compliance

Branch Operations Review

Cash Audit

Special Investigation/Management Request

Implementation Status of Audit Recommendation (ISOAR)

ACHIEVEMENTS

Members of the Supervisory Committee attended regular monthly meetings of the Board, Finance and Policy, Joint Credit Committee, Debt Management and Audit Risk & Compliance. Our input at these meetings, whether it was deliberating or decision-making, was always aimed at promoting the interest of our members. .

Careful execution of the planned audits resulted in heightened awareness and

appreciation of the Credit Union's policies and rules; resulting in improvements being reflected in internal controls... Additionally, with the identification of some risks, management was able to employ the necessary risk management and mitigation strategies.

BRANCH VISITS

During the year under review, members of the Supervisory Committee reinstated regular branch visits in a bid to improve compliance with policies, rules and other accountability framework, as well as to strengthen our knowledge and decision making capacity.

The following branches were visited in this regard:

Half-Way Tree

Mandeville

Reports and findings of these visits were brought to the attention of the CEO and submitted at meetings of the Board of Directors.

ATTENDANCE AT MEETINGS

The Supervisory Committee convened twenty (20) meetings for the year under review, at which attendance averaged over 79% for all members. Acceptable explanations were provided in instances where persons were unable to attend meetings.

CHALLENGES

Our commitment as the Supervisory Committee to ensure adherence to policies, rules and general accountability framework at all levels of COK's operation came with some challenges. The most significant of

these was the time-consuming nature of audit investigations because of the Credit Union's highly-manual system of internal control.

SUGGESTION BOX

We would like to highlight the efforts of COK members who gave regular feedback regarding the organization's service delivery. However, as a Committee, we believe that there would have been a greater appreciation of how the general membership is responding to the Credit Union's service delivery if more members were utilizing the suggestion box.

ACKNOWLEDGEMENTS

The Supervisory Committee wishes to acknowledge the Board of Directors, Management, the Administrative Support Staff, Joint Credit and other committees for their continued support and co-operation towards the work of the Committee. Special acknowledgement must be given to the tremendous work of the Internal Audit staff during the year under review. Their unwavering support to this Committee, as well as their commitment to the painstaking task of auditing, must be greatly applauded.

CONCLUSION

The members of the Supervisory Committee are proud to have been given the opportunity to serve this noble Credit Union in this trusted capacity. As the COK family celebrates our 51st year of sterling contribution to Jamaica, let us pause to remember that COK Sodality Co-operative Credit Union is "**Created, Owned and Powered by You**" – our valued members. Fellow Co-operators, it is your loyalty that gives COK Sodality the impetus to remain a leader in the financial space, and gives this Committee the drive to work selflessly to ensure integrity and accountability at all levels.

We are assured that the Board of Directors, Committees, Management and Staff have proven their adherence to the policies and

rules. To this end they have demonstrated that they are true to COK Sodality's 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.**"

As Chairman, I would like to thank the members of this committee for placing service above self. I wish to voice my appreciation to all the committee members for their sterling contribution and dedication. Let us all continue, unswerving in our commitment to work together as a team.

God Bless us All!



William Graham,
Chairman, Supervisory Committee

NOMINATING COMMITTEE

TO THE 51ST ANNUAL GENERAL MEETING



(left - right): Mrs. Debbie-Ann Gordon Crawford, Ms. Roshene Betton, Mr. Garth O'Sullivan, Ambassador Aloun Ndombet-Assamba, Bishop Burchell McPherson and Barbara McKenzie.

The members of the Nominating Committee were:

- | | |
|----------------------------------|-------------------------------------|
| Mrs Debbie-Ann Gordon Crawford | - Director and Chairman |
| Mr. Garth O'Sullivan | - Member |
| Bishop Burchell McPherson | - Member |
| Ambassador Aloun Ndombet-Assamba | - CEO and Ex Officio |
| Ms. Roshene Betton | - Staff Liaison/
Legal Counsel |
| Mrs. Barbara McKenie | - (Staff Liaison/
Admin Support) |

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 XIII 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 for each vacancy for which elections are being held.”

The selection criteria included:

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

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

BOARD OF DIRECTORS

Article VIII Rule 33a (i)-(v)

“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 and not more than 11, all of whom shall be members of the Credit Union 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. Steadman Pitterson	Mr. Steadman Pitterson Management Consultant P.O. Box 449 Kingston 19	2 Years
Mr. Michael Martin	Mr. Michael Martin Retired Manager 1 East Kings House Circle Kingston 6	2 Years
Ms. Vinnate Hall	Ms. Vinnate Hall Assistant Vice President Internal Audit Sagikor Life Jamaica Ltd 28-48 Barbados Avenue Kingston 5	2 Years
Mr. Clive Medwynter	Mr. Clive Medwynter Managing Director Paradigm Pioneers Inc. 11 Ardenne Road Kingston 10	2 Years
Ms. Sharon Usim	Ms. Sharon Usim Attorney-at-Law Usim, Williams & Co. 5 Duke Street Kingston	1 Year (to complete unexpired term of Marjorie Shaw)
Mrs. Maureen Dwyer	Mrs. Maureen Dwyer Chief Executive Officer Inspectorate Division Ministry of Education 2 St. Lucia Avenue Kingston 10	1 Year (to complete the unexpired term of Jacqueline-Lynch Stewart)

RETIRING	RECOMMENDED	TERM IN OFFICE
Mr. Orville Christie	Mr. Danville Dockery 10 Bay Willow Close Lot 82 Westmeade St. Catherine	2 Years

Two vacancies were created during the year due to the following resignations:

Mrs. Marjorie Shaw, replaced by Ms. Sharon Usim

Mrs. Jacqueline Lynch-Stewart, replaced by Mrs. Maureen Dwyer.

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.”

“No member of the Supervisory Committee shall be allowed to serve more than three (3) consecutive terms; however such member will be eligible to serve once he sits out serving on any Committee for a period between Annual General Meeting or one (1) year whichever is earlier.”

RETIRING	RECOMMENDED	TERM IN OFFICE
Corporal William Graham	Corporal William Graham Mobile Reserve Merrion Road Kingston 5	1 Year
Mr. Shridath Brown	Mr. Shridath Brown Sales Manager National Baking Co. 15a Osbourne Road Kingston 5	1 Year

NOMINATING COMMITTEE

TO THE 51ST ANNUAL GENERAL MEETING CONT'D.

RETIRING	RECOMMENDED	TERM IN OFFICE
Mr. James Wood	Mr. James Wood Sales Representative National Outdoor Advertising 15 Norbrook Acres Road Kingston 8	1 Year
Mr. Kenneil Blake	Mr. Kenneil Blake Department of Economic Studies National Police College of Ja. Twickenham Park St. Catherine	1 Year
Ms. Charmaine Newsome	Ms. Herma Walker Audit Consultant 794 Cedar Grove Boulevard Cedar Grove Estate Gregory Park P.O. St. Catherine	1 Year
Mr. Enoch Allen	Ms. Phillipa Edwards Retired Public Servant Lot 442, Greater Portmore St. Catherine	1 Year
Ms. Dianne Edwards	Ms. Dianne Edwards Attorney-at-Law 7 Belmont Road Kingston 10	1 Year

CREDIT COMMITTEE

Article IX Rule 41(i) (iii)

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.

No member of the Credit Committee shall be allowed to serve more than three (3) consecutive terms, however such member will be eligible to serve once he sits out serving on any Committee for a period between Annual General Meetings or one (1) year whichever is earlier.

RETIRING	RECOMMENDED	TERM IN OFFICE
Mr. Ewan Millen	Mr. I. Errol Gregory KLAS Sports Radio 17 Haining Road Kingston 5	2 Years

JAMAICA CO-OPERATIVE CREDIT UNION LEAGUE

RETIRING	RECOMMENDED	TERM IN OFFICE
Delegates		
Ambassador Aloun Ndombet-Assamba	Ambassador Aloun Ndombet-Assamba	1 Year
Mr. Steadman Pitterson	Mr. Steadman Pitterson	1 Year
Alternate Delegates		
Mr. Orville Christie	Mr. Clive Medwynter	1 Year
Ms. Carol Anglin	Ms. Carol Anglin	1 Year

JAMAICA FISHERMEN'S CO-OPERATIVE UNION

RETIRING	RECOMMENDED	TERM IN OFFICE
Mr. Neville Rhone	Mr. Neville Rhone	1 Year
Mr. Michael Burke	Mr. Michael Burke	1 Year
Ambassador Aloun Ndombet-Assamba	Ambassador Aloun Ndombet-Assamba	1 Year

JAMAICA CO-OPERATIVE INSURANCE AGENCY LTD.

RETIRING	RECOMMENDED	TERM IN OFFICE
Ms. Carol Anglin	Ms. Carol Anglin	1 Year
Ambassador Aloun Ndombet-Assamba	Ambassador Aloun Ndombet-Assamba	1 Year

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

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



Debbie-Ann Gordon-Crawford (Mrs.)
For and on behalf of the
Nominating Committee

JAMAICA FISHERMEN'S CO-OPERATIVE UNION LTD.

DELEGATES' REPORT OF THE AGM

Delegates' Report to the Annual General Meeting of the Jamaica Fishermen's Co-operative Union Limited, held at Bettino at The Marina Village, Lot 391, Drax Hall Estate, St. Ann, Tuesday, April 17, 2018.

The AGM of the Jamaica Fishermen's Co-operative Union Ltd. was held on Tuesday, April 17, 2018 at Bettino at The Marina Village, Lot 391, Drax Hall Estate, St. Ann. COK Sodality was represented by delegates Mr. Michael Burke, Mr. Neville Rhone and CEO, Ambassador Aloun Ndombet-Assamba.

At the beginning of the meeting there were two special presentations. The first was by a representative of the Japan International Co-operation Agency (JICA) who is attached to the Caribbean Maritime Agency and is involved in a project of Fisheries Development.

He spoke of setting up a Fresh Fish Distribution system in Jamaica; and explained that the goal was to set up a Fresh Fish Counter at every supermarket as well as to introduce fresh fish in school lunches.

The JICA representative shared the results of a Research which showed that the most favourite meal for Jamaicans was chicken followed by fish, with beef and pork lagging behind. The Research also showed that the use of fish ranged from very often at 15.7% to a few times a week at 54.9%. It was the goal of the project to increase the use of fish to a higher percentage. He spoke of the objective of making sure that fish was kept at a temperature of below 10°F and having fresh fish delivered to the end user within two days of the catch.

There was a lively discussion after the presentation during which it was pointed out that chicken was favoured over fish because of the price, and the danger of encouraging the use of fish and having it become fresh water fish rather than sea fish. In that case it would not benefit the Fishers.

The second presentation was from a representative of Jamaica Co-operatives Insurance Agency Ltd. who introduced their Members' Group Life Plan which is underwritten by Sagicor Life Jamaica Ltd. He spoke of the benefits of the coverage and the various types of policies that were offered. It was well received.

The Board of Directors' Report for the period July 2016 to June 2017 was presented by the President. It highlighted the following:

- The fluctuation of the value of the Jamaican dollar and the inability of members to overhaul their fishing tackle as often as they would like, due to lack of resources.
- There was a challenge in sales volume as projected because the Fishing Industry continues to contract due to a number of internal and external forces, while the cost of fishing equipment continues to increase.
- A Three (3) Year Strategic and Business Plan was developed with the assistance of the National Union of Co-operative Societies (NUCS) and the Development Bank of Jamaica (DBJ).
- During the period under review there was a decline in Sales of 7.5% and an increase in Expenses of 4%.

- There was a Net Surplus of \$5,810,767.00. However, due to losses in the Staff Pension Plan there was a Total Comprehensive Loss of \$5,216,133.00.
- Reports were given on the various Primary Societies – Rocky Point, Treasure Beach, Negril, Gillings Gully, Montego Bay, Old Harbour Bay and Half Moon Bay.
- Education and Training continued and a number of seminars and workshops were conducted with the aid of NUCS and the DBJ and these benefited from good participation by the members.
- On the matter of oil exploration, the Board continues to be vigilant in ensuring that Fishers who operate in the proposed oil exploration zones were well protected. A plea was made that all fishers should make sure that they have updated licences and identification before going out to sea so that they will be considered bona fide Fishers. Otherwise they cannot be guaranteed protection and compensation if they are affected by the seismic activities.
- International linkages continue to highlight the work of the Union and International Fishermen's Day offered an opportunity to showcase the work of Fishers and their partners. The next one will be June 29, 2018 at Cardiff Hall, Runaway Bay, St. Ann.
- There will be an increase in fees as of April 1, 2018 and although it will be steep, they expect some additional benefits will accrue as the licence would now be for two (2) years and will cover more activities.
- The Jamaica Fishermen's Co-operative Union continues to be represented on many committees which touch and concern Fisheries, for example Caribbean Network of Fisher-folk Organization, Portland Bite Fisheries

Management Council, The Oil Exploration Committee, NUCS, Jamaica Agricultural Society, Kingston Freeport Terminal Ltd. Pelagic Fishing Committee.

ELECTIONS

The following persons were elected to the Board:

Mr. Glaston White

Half Moon Bay Fishermen Co-operative Union

Mr. Shawn Ascott

Alloa Fishermen Co-operative Union

All were elected for three (3) years each.

The following persons were elected to the Supervisory Committee:

Ms. Paulette Coley

Old Harbour Bay Fishermen Co-operative Union

Mr. Denzil Lewis

Rocky Point Fishermen Co-operative Union

Mr. Renford Smalling

Correctional Services Co-operative Union

All were elected for one (1) year each.

The following persons were elected to represent the Union at NUCS:

Mr. Glaston White

Half Moon Bay Fishermen Co-operative Union

Mr. Michael Burke

COK Sodality Co-operative Credit Union Ltd.

Mr. Anthony Drysdale

Jamaica Fishermen's Co-operative Union

The Manager

Jamaica Fishermen's Co-operative Union

Notice of a Resolution to Amend the Rules at

JAMAICA FISHERMEN'S CO-OPERATIVE UNION LTD.

DELEGATES' REPORT OF THE AGM CONT'D.

the next AGM was put forward for Rule 23.1 and was accepted. This would be voted on at the next AGM.

A Resolution to Amend Rule 18.1 was passed to include the words, "payment of other appropriations as agreed by the members".

The Recommendations for the Distribution of Surplus was approved as presented by the Board.

On behalf of the Delegates,
Yours co-operatively,



Ambassador Aloun Ndombet-Assamba
Delegate

JAMAICA CO-OPERATIVE CREDIT UNION LEAGUE CONVENTION & AGM

DELEGATES' REPORT OF 76TH AGM

The Convention and legally constituted 76th Annual General Meeting (AGM) of the Jamaica Co-operative Credit Union League (JCCUL) was held from May 25-28, 2017 at the Hilton Rose Hall Hotel & Spa in Montego Bay. Approximately one hundred and thirty seven (137) delegates, alternate delegates and observers attended the weekend Convention and AGM. The schedule of activities included a trade show, workshops, entertainment, a banquet and the Annual General Meeting.

THURSDAY, MAY 25, 2017

The following activities took place:

- The Credit Union Managers' Association's Annual General Meeting.
- An afternoon workshop presented by Dr. Herbert Gayle, Sociologist and Criminologist on the topic: "Violence and doing business in Jamaica". It was a riveting presentation and a real eye-opener for the large audience which attended.
- Entertainment was a session hosted by radio personality Jenny-Jenny as part of the reception.

Friday's activities got off to a good start with the Women's Global Network Breakfast meeting and the President's breakfast happening simultaneously. The guest speaker at the President's breakfast was Mr. Gary Allen, CEO of the RJR-Gleaner Communications Group. This was followed by the official opening of the conference with Action Coach Marcia Woon Choy being the main speaker.

The plenary session was next and that was well attended by delegates and observers. Matters of critical importance to the Movement's future were discussed.

Two workshops were held on Friday afternoon on the following topics:

- "Building a Culture of Compliance: The Role of Board and Management". The Presenter was Mr. Robin Sykes, Chief Technical Director of the Financial Investigation Division.
- "IFRS9: What you need to know" by PriceWaterhouseCoopers.

The annual awards dinner ended the day. Guest speaker at this event was Mr. Owen "Blacka" Ellis, a Jamaican comedian of note. The following credit unions received Credit Union of the Year awards:

AWARDS

MEGA (ASSETS > \$2B)

Winner First Regional Credit Union

Runner-up Manchester Credit Union

LARGE (ASSETS > \$1B TO \$2B)

Winner JDF Credit Union

Runner-up Palisadoes Credit Union

MEDIUM SIZED (ASSETS > \$300M TO \$1B)

Winner NCB Employees Credit Union

Runner-up Grace Credit Union

JAMAICA CO-OPERATIVE CREDIT UNION LEAGUE CONVENTION & AGM

DELEGATES' REPORT OF 76TH AGM CONT'D.

SMALL (ASSETS <\$300M)

WinnerBJ Staff Credit Union

No runner-up was declared

Other Credit Unions that won prizes were:

- C&WJ Credit Union - Highest Asset Growth
- JDF Credit Union - Highest Solvency
- C&WJ Credit Union - Highest Net Capital Growth

Parish credit unions also won the following:

- For highest net loan growth - Manchester
- Highest Return on Assets - First Regional
- Most Outstanding Parish Credit Union - First Regional

Others prizes:

CPD Online Top User - Christine Barker - Insurance Employees Credit Union

CPD Online Highest Performing Credit Union - Insurance Employees Credit Union

CPD Online Highest Percentage Increase in Usage - BJ Staff Credit Union

Service Quality Award Winner - NCB Employees Credit union

Service Quality Award Runner-up - JDF Credit union

ANNUAL GENERAL MEETING

The 76th Annual General Meeting was held on May 27, 2018. Twenty-five (25) Credit Unions numbering 137 participants attended the meeting.

In line with Parliamentary procedures, the newly elected President Mr. Winston Fletcher, gave a summary of the Board report for the year 2016. The Treasurer did the same for the financial reports and the Chair of the Supervisory Committee also reported.

DISTRIBUTION

A total possible distribution of \$16.7 million for 2016 was identified by the Treasurer compared to \$28.14 million in 2015. Of this amount \$1M was set aside for a scholarship fund for recognition of the 75th anniversary of the League. The bulk was cash interest as dividend on voluntary shares amounting to \$6.3 million, while dividends on permanent shares amounted to \$5.8 million.

ELECTION OF OFFICERS

The Meeting voted to accept the nominations for the following persons to serve on the Board of JCCUL.

- Mrs. Brenda Cuthbert
- Mr. Jerry Hamilton
- Mr. Delroy Foster
- Ms. Carol Anglin
- Mr. Pete Smith
- Mr. Winston Fletcher
- Mr. Lambert Johnson

They were elected to join the Board of JCCUL for a term of 3 years.

For the Supervisory Committee the following persons were elected:

- Mr. Sefton Cummings
- Mrs. Tamara Baugh-Brissett
- Mr. Michael Sutherland
- Mrs. Ivy Lawrence
- Mr. Lenroy Allen

RESOLUTIONS

Six resolutions were passed at the meeting as follows:

- Congratulatory resolutions were received on behalf of:

COK Sodality Credit Unions for 50 years of service

NCB Employees Credit Union for 25 years of service
- Former JCCUL President Johnathan Brown for receiving a national award: the Badge of Honour for Meritorious service for dedicated service to the Jamaica Co-operative Credit Union League.
- One Condolence resolution were passed on behalf of Mrs. Rosemarie Vernon, past director of the JTA Credit Union.
- A resolution was passed to fund an Information Technology Project for the Credit Union Movement from the Stabilisation Fund.
- A late submission of a resolution from First Heritage Credit Union, for past

CEO Basil Naar was also passed at the AGM.

RULE CHANGES

There were no rule changes.

Following the AGM the executive was elected to serve on the League Board for the 2017-2018 year:

- Winston Fletcher - President
- Clide Nesbeth – 1st Vice President
- Lambert Johnson – 2nd VP
- Andrea Messam – Treasurer
- Jerry Hamilton - Assistant Treasurer
- Norris Gilbert – Secretary
- Patrick Smith
- Martin Blackwood
- O’Neil Grant
- Anthony Young
- Delroy Foster
- Carol Anglin
- Brenda Cuthbert
- Derrick Tulloch
- Ryan Muir

The COK Sodality delegates and alternate delegates in attendance at the AGM were Mr. Steadman Pitterson, Ms. Carol Anglin and the Chief Executive Officer, Ambassador Aloun Ndombet-Assamba. Ms. Linda Miller, Chief Operating Officer was also in attendance as an Observer.

Yours co-operatively,



Steadman Pitterson

Delegate

EDUCATION

COMMITTEE REPORT

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

- The continuing education of COK's members;
- The development, organization and evaluation of the educational programmes for members in order to meet the Organization's educational needs;
- Administering the various scholarships offered by COK.

Members of the Committee for 2017 were:

- Mr. Michael Martin - Chairman
- Mrs. Norma Chambers
- Mrs. Marcia Detry-Fogah
- Mr. Basil Lue
- Mrs. Enid Bonfield
- Mrs. Marsha Cole-Hart
- Mrs. Emma Thomas
- Mrs. Claudine Scott
- Mr. Peter Downey
- Mrs. Ayanna-Bibi Martin-McLean
- Mrs. Dawn Gardner-Rose
- Mrs. Barbara McKenzie

The Committee convened two (2) meetings during 2017 at which it reviewed the Education Policy and discussed fund-raising activities to support the award of scholarships.

The Committee awarded several scholar-ships and grants totaling \$707,500.00 during the year.

THE BERTIE MORRIS SCHOLARSHIP

This Scholarship is open to children of employees with a minimum of two (2) years' permanent employment with COK. A total of fifteen (15) scholarships were offered in 2017 and a further two (2) awards were given to children of employees on a fixed term contract of employment under two (2) categories as follows:

Category 1: Awarded to four (4) students between 6 – 11 years old; enrolled in primary or private preparatory schools and maintaining averages of 80% or higher.

Category 2: Awarded to thirteen (13) students between 11-18 years old and enrolled in secondary or high school and maintaining averages of 81-90%.

THE CARTER CARTER SCHOLARSHIP

This Scholarship is open to children of COK Sodality members who are attending or entering secondary school. This scholarship is for a period of five (5) years provided the qualifying requirements are met in each year.

Seven (7) existing students under this programme benefited from a third and fourth year of funding for 2017; whilst three (3) new applicants were awarded for 2017.

THE TREVOR BLAKE SCHOLARSHIP

This scholarship is open to the general membership for students between 18-35 years of age who have been accepted to pursue/or are pursuing a degree in one of the following disciplines: Accounting, Banking, Finance or Management Studies at a local university.

There were no applicants for the 2017/2018 academic year.

THE PAUL CHEVANNES SCHOLARSHIP

This scholarship is open to the general membership for students between 18-35 years of age and who are pursuing a degree in Management Studies/ Business Administration at a local university.

The scholarship is for a period of two (2) years.

To be eligible for the scholarship, the successful candidate must be a member of COK Sodality for at least two (2) years, or be a child whose parent is a member for two (2) years. Candidates should also have satisfactorily completed two years in a First Degree Programme while maintaining at least a B average.

One student benefited for the 2017/ 2018 academic year.

MARGARET ROGERS FOUNDATION

This grant is awarded to the child of a COK Sodality member who has maintained a B+ average; is involved in extra-curricular activities and is in need of financial assistance. One student benefited under this programme for 2017.

In keeping with its mandate, the Education Committee continues to address and support COK Sodality's education demands. It also seeks to encourage scholarship awardees to continue to strive for academic excellence.

We sincerely thank the members of this Committee for their dedicated service over the past year. We invite COK Sodality members to continue supporting our Credit Union as it is with your support that we are able to provide these scholarships and grants to improve the well-being of our members and the future generation.

On behalf of the Education Committee.

Yours co-operatively,



Michael Martin
Chairman

RESOLUTIONS

PREAMBLE

WHEREAS the Registrar of Co-operatives and Friendly Societies has issued directives requiring all Credit Unions to implement rules pertaining to the role, functions and responsibilities of the Nominating Committee and the Nominating Process for election by the members to serve as Directors or Committee Members.

AND WHEREAS the Board of Directors has duly considered the directives of the Registrar of Co-operatives and Friendly Societies;

AND WHEREAS in compliance with the directives of the Registrar of Co-operatives and Friendly Societies, the Board of Directors is recommending the adoption of more extensive functions for the Nominating Committee, the implementation of a new machinery for the nomination and election of volunteers to serve on the Board and Committees;

AND WHEREAS Section 11 (1) of the Co-operatives Societies Act Cap 75 stipulates that the Registered Society may amend its rules.

BE IT RESOLVED THAT the Annual General Meeting held May 9, 2018 approves the amendment of Rule 65 of the COK Sodality Co-operative Credit Union Limited by substituting for the existing Rule 65 the following new Rule 65 as outlined hereinafter:-

ARTICLE XIII NOMINATING COMMITTEE, NOMINATION PROCESS AND ELECTIONS

65. (i) Nominating Committee

A Nominating Committee shall be appointed by the Board of Directors and shall consist of at least three (3) members one of whom will be a Board Member who shall be the Chairman of the Committee.

(ii) Nomination Process

(a) Not less than one hundred and twenty days (120) days prior to the Annual General Meeting (AGM) the Nominating Committee shall meet to consider the following:

(i) The vacancies that will arise at the AGM on the Board of Directors, the Credit Committee and the Supervisory Committee;

(ii) A preliminary list of nominations to be made to fill such vacancies;

(iii) All other matters and procedures required to fill such vacancies.

(b) Not less than ninety (90) days prior to the AGM the Nominating Committee shall in writing:

(i) notify the membership of the vacancies for the Board of Directors, Credit and Supervisory Committees;

(ii) invite nominations from the membership to be made for each vacancy by petition in the prescribed form signed by at least five (5) members each of whom shall be a member in good standing with the Society;

(iii) notify the membership of the closing date for receiving nominations by petition.

- (c) In all cases, the period for receiving nominations by petition shall extend at least forty (40) days from the date of written notification by the Nominating Committee.
- (d) The written notice from the Nominating Committee to the membership shall indicate that there shall be no nominations from the floor.
- (e) The written notice from the Nominating Committee to the membership shall also be prominently displayed at the place, and if more than one, the places of business of the Credit Union.
- (f) Upon consideration of all nominations made and received by petition, the Nominating Committee shall review and recommend at least one (1) member for each vacancy.
- (g) The Nominating Committee shall report its recommended nominations with the Secretary of the Credit Union at least forty (40) days before the AGM.
- (h) Each nominee by petition shall submit to the Nominating Committee:
 - (i) the petition duly completed with the signatures of five (5) members;
 - (ii) a brief statement of qualifications and experience in a form approved by the Board of Directors;
 - (iii) a completed Fit and Proper Questionnaire in a form determined by the Board of Directors.
 - (iv) a signed letter from the nominee stating that he/she is agreeable to the nomination and will serve if elected to office.
- (i) The Nominating Committee shall have the authority to include candidates not nominated by members' petition among those to be considered by the Committee, and of its own accord submit by way of petition in like manner, suitable candidates to fill the vacancies on the various Committees.
- (j) Members of the Nominating Committee shall not be eligible for nominations.
- (k) The Nominating Committee shall act in accordance with the Rules and Policies of the Credit Union in its selection of each nominee.
- (l) A member seeking nomination to hold office shall be disqualified if that member:
 - (i) fails to satisfy the Nominating Committee that he is a fit and proper person to accept the responsibilities and perform governance functions of the Credit Union;
 - (ii) is delinquent in their loan or other obligations with the Society at the date of the petition and up to the date of election;
 - (iii) has been a member of the Credit Union less than six (6) months before the date of the petition, save where the member is an active member for more than six (6) months in another co-operative society in Jamaica;
 - (iv) whose membership in any other co-operative society at the time of the Nominating Committee's deliberations has been judged delinquent;
 - (v) is not ordinarily resident in the Island.
- (m) Where a volunteer's term has not expired and he is seeking nomination or election to a Committee other than the Committee he currently serves on, he shall tender his resignation from that Committee.
- (n) The Nominating Committee will no later than thirty (30) days prior to the

RESOLUTIONS

CONT'D.

AGM notify the members in writing of the nominations recommended by them. The notice shall also be posted in a conspicuous place in the Credit Union.

- (o) After the Nominating Committee has notified the members of its recommended nominees the nominees shall be presented and placed before the members at the AGM by the Nominating Committee to be considered by the members present.

(iii) Elections

- (a) Elections shall be in the following order:

- (i) Elections for members of the Board of Directors;
- (ii) Elections for members of the Credit Committee;
- (iii) Elections for members of the Supervisory Committee;
- (iv) Delegates and Alternate Delegates to the League or any affiliated organisations as determined by the Board of Directors.

- (b) After the nominees of the Nominating Committee have been placed before the members, a Returning Officer shall

be appointed by the Chairman and will preside over the elections at the AGM.

- (c) If the nominees equal the number of vacancies, the nominees shall be declared elected by general consent or acclamation of the membership at the AGM.
- (d) In the event there are more nominations recommended by the Nominating Committee than the number of vacancies available, there shall be voting by ballot. The Returning Officer shall be responsible for appointing tellers, distributing ballot, conducting and tallying the vote, any other action to ensure a valid, efficient and smooth election and thereafter announcing the results.
- (e) In the event a vacancy arises between the close of nomination and the AGM, or if there are insufficient nominees to fill all vacancies the Board of Directors shall appoint a member to fill such vacancy until the next AGM in accordance with the Rules of the Credit Union.

Resolution Moved by: Debbie-Ann Gordon Crawford-Chairman of the Rules Committee

Resolution Seconded by: Carol Anglin-Member of the Rules Committee

IN FAVOUR	AGAINST	ABSTAINED

RESOLUTIONS TO AMEND RULES

ANNUAL GENERAL MEETING, MAY 9, 2018

WHEREAS the current Rules of the COK Sodality Co-operative Credit Union Limited were established at the inception of the Credit Union more than 47 years ago when governance principles and management practices were less stringent.

AND WHEREAS the said Rules have provided a very strong framework for the facilitation and execution of effective and efficient governance and management of the Credit Union for the duration of the period;

AND WHEREAS business certainty and efficacy necessitates certain formative and substantial changes to the Rules to achieve operational efficiencies within the credit union;

AND WHEREAS Section 11 (1) of the Co-operatives Societies Act Cap 75 stipulates that the Registered Society may amend its rules.

BE IT RESOLVED THAT the Annual General Meeting held on May 9, 2018 approves the amendments to the following Rules of COK Sodality Co-operative Credit Union Limited outlined hereinafter:-

Article III – CAPITAL AND LIABILITY

Present Rule 14 (ix) states:

Permanent Shares shall be used to offset indebtedness only in cases of cessation of membership and liquidation of the Society.

Be amended to read:

Permanent Shares shall be used to offset indebtedness only in cases of cessation of membership or liquidation of the Society.

Present Rule 14 (xii) states:

Where a member has less than the Permanent Share requirement and has not transacted any business with the Credit Union for a period of not less than two years,

the Board of Directors may transfer the balance to a Special Trust Fund. When this is done, the member who has no rights and privileges as a Shareholder may claim the balance at any time. Notice of such action shall be by publication in at least two daily newspapers by the Board of Directors.

Be amended to read:

Where a member has less than the Permanent Share requirement and has not transacted any business with the Credit Union for a period of not less than two years, the Board of Directors may transfer the balance to a Special Trust **Account**. When this is done, the member has no rights and privileges as a Shareholder. Notice of such action shall be by publication in at least two daily newspapers by the Board of Directors.

Article IV - VOLUNTARY SHARES

Present Rule 15 (b) (iv) states:

The Society shall have a lien on all Voluntary Shares and deposits of a member for, and to the extent of, any sum due to the Society from the said member or any loan endorsed by him.

Be amended to read:

The Society shall have a lien on all Voluntary Shares of a member for, and to the extent of, any sum due to the Society from the said member or any loan endorsed by him.

Article V – DEPOSITS

Present Rule 20 (v) states:

The Society shall have a lien on the shares and deposits of a member for any sum due to the Society from the said member or for any loan endorsed by him, and may apply any sum credited to the member thereon in or towards payment of any such debt.

RESOLUTIONS TO AMEND RULES

ANNUAL GENERAL MEETING, MAY 9, 2018 CONT'D.

Be amended to read:

The Society shall have a lien on the deposits of a member for any sum due to the Society from the said member or for any loan endorsed by him, and may apply any sum credited to the member thereon in or towards payment of any such debt.

Article VII – LOANS

Present Rule 28 (i) states:

No Officer, member of the Board of Directors, member of the Credit or Supervisory Committee or Employee shall be allowed to borrow from the Society a total amount in excess of his Voluntary Shares and or Deposits and accumulated earnings unless approved by the unanimous decision of the meeting at which is present at least a quorum of the Credit Committee, at least two (2) representatives from the Board of Directors and two representatives from the Supervisory Committee sitting together. The borrowing member shall not be allowed to take part in the meeting.

Be amended to read:

No Officer, member of the Board of Directors, member of the Credit or Supervisory Committee or Employee shall be allowed to borrow from the Society a total amount in excess of his Voluntary Shares and or Deposits and accumulated earnings unless approved by a **majority** decision of the meeting at which is present at least a quorum of the Credit Committee, **one (1) representative** from the Board of Directors and **one (1) representative** from the Supervisory Committee sitting together. The borrowing member shall not be allowed to take part in the meeting.

Article IX – CREDIT COMMITTEE

Present Rule 41 (iv) states:

Any member of the Credit Committee, being delinquent for a period in excess of two (2) months without due excuse accepted by the Board of Directors, shall be deemed to have vacated his seat on the Committee.

Be amended by the deletion of Rule 41(iv) and renumber accordingly.

Present Rule 45 (ii) states:

No loan, except as hereinafter provided, shall be made if any member of the Credit Committee shall disapprove thereof unless such loan has received the unanimous approval of the members of the Committee who were present when it was considered, and who at least must be a majority of the Committee.

Be amended to read:

No loan, except as hereinafter provided, shall be made unless such loan has received a **majority** approval of the members of the Committee who were present **at the meeting** when it was considered **provided that such members of the Committee shall have constituted a quorum** of the Committee.

ARTICLE X – SUPERVISORY COMMITTEE

Present Rule 48 (ii) states:

No member of the Supervisory Committee shall be allowed to serve more than three (3) consecutive terms, however such member will be eligible to serve once he sits out serving on any Committee for a period between Annual General Meeting or one (1) year whichever is earlier.

Be amended to read:

No member of the Supervisory Committee shall be allowed to serve more than **five (5)** consecutive terms, however such member will be eligible to serve once he sits out serving on any Committee for a period between Annual General Meeting or one (1) year whichever is earlier.

act, perform the duties of the Treasurer and/ or such other duties as the Board of Directors may from time to time prescribe.

Be amended by:

renumbering of the Rule to be subsumed under Rule 52 as number (ix) resulting in Rule 53 becoming **Rule 52 (ix)**.

ARTICLE XI – OFFICERS

Present Rule 53 states:

ASSISTANT TREASURER: The Assistant Treasurer shall in the event of the absence or disability of the Treasurer or his refusal to

Resolution Moved by: Debbie-Ann Gordon Crawford-Chairman of the Rules Committee

Resolution Seconded by: Carol Anglin- Member of the Rules Committee

MEMBERS:

IN FAVOUR	AGAINST	ABSTAINED

DEPT. OF CO-OPERATIVES & FRIENDLY SOCIETIES



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

2 MUSGRAVE AVENUE
KINGSTON 10

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

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

S1
R 325/-351/04/18

April 11, 2018

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

Dear Sir/Madam,

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

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

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

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

Yours truly,

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

LGE/kd

c. The Secretary
Jamaica Co-operative Credit Union League



KPMG
Chartered Accountants
P.O. Box 76
6 Duke Street
Kingston
Jamaica, W.I.
+1 (876) 922 6640
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)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the financial statements of COK Sodality Co-operative Union Limited ("the Co-operative"), comprising the separate financial statements of the Credit Union and the consolidated financial statements of the Credit Union and its subsidiary (collectively "the Group") set out on pages 4 to 51, which comprise the Group's and Co-operative's statements of financial position as at December 31, 2017, 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 significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Co-operative as at December 31, 2017, and of the Group's and Co-operative's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Co-operative Societies Act.

Basis for Opinion

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



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 Audit of the Consolidated Financial Statements (cont'd)

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and the Co-operative Societies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Co-operative's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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 Audit of the Consolidated Financial Statements (cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Co-operative's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Co-operative to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on additional matters as required by the Co-operative Societies Act

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

April 3, 2018

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

Group Statement of Financial Position

December 31, 2017

(Expressed in Jamaica dollars unless otherwise stated)

	<u>Note</u>	<u>2017</u> \$'000	<u>2016</u> \$'000
ASSETS			
Earning assets:			
Loans to members	4(b)	6,346,756	5,862,336
Liquid assets	5	1,631,279	1,558,135
Financial investments	6	<u>412,397</u>	<u>374,215</u>
Total earning assets		<u>8,390,432</u>	<u>7,794,686</u>
Non-earning assets:			
Liquid assets	7	160,065	124,642
Other assets	8	281,775	278,048
Employee benefits asset	9(a)	119,243	123,553
Property, plant and equipment	10	219,271	199,809
Intangible asset	11	30,567	24,541
Investment in associate	12(b)	<u>12,626</u>	<u>10,155</u>
Total non-earning assets		<u>823,547</u>	<u>760,748</u>
TOTAL ASSETS		<u>9,213,979</u>	<u>8,555,434</u>
LIABILITIES			
Interest bearing liabilities:			
Savings deposits	13	5,111,267	4,680,990
Voluntary shares	14	2,664,015	2,516,942
Deferred shares	15	500,000	500,000
External credits	16	<u>24,397</u>	<u>36,026</u>
Total interest-bearing liabilities		<u>8,299,679</u>	<u>7,733,958</u>
Non-interest bearing liabilities:			
Payables and accruals	17	270,642	269,334
Other liabilities	18	<u>78,332</u>	<u>74,098</u>
Total non-interest bearing liabilities		<u>348,974</u>	<u>343,432</u>
Total liabilities		<u>8,648,653</u>	<u>8,077,390</u>
EQUITY			
Permanent shares	19	564,953	537,010
Non-institutional capital	20(a)	(624,264)	(698,756)
Institutional capital	20(b)	489,707	475,697
Investment revaluation reserve	21(a)	15,687	10,506
Loan loss reserve	21(b)	-	30,034
Pension reserve	22	<u>119,243</u>	<u>123,553</u>
Total equity		<u>565,326</u>	<u>478,044</u>
TOTAL LIABILITIES AND EQUITY		<u>9,213,979</u>	<u>8,555,434</u>

The financial statements on pages 4 to 51 were approved for issue by the Board of Directors on April 3, 2018 and signed on its behalf by:


 _____ President
 S. Pitterson


 _____ Treasurer
 E. Shaw

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

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

Co-operative Statement of Financial Position
December 31, 2017
(Expressed in Jamaica dollars unless otherwise stated)

	<u>Note</u>	<u>2017</u> \$'000	<u>2016</u> \$'000
ASSETS			
Earning assets:			
Loans to members	4	6,346,756	5,862,336
Liquid assets	5	1,631,279	1,558,135
Financial investments	6	<u>412,397</u>	<u>374,215</u>
Total earning assets		<u>8,390,432</u>	<u>7,794,686</u>
Non-earning assets:			
Liquid assets	7	158,019	122,668
Other assets	8	296,640	288,410
Employee benefits asset	9(a)	119,243	123,553
Property, plant and equipment	10	219,271	199,809
Intangible asset	11	30,567	24,541
Investment in subsidiary	12(a)	1,000	1,000
Investment in associate	12(b)	<u>21,726</u>	<u>21,726</u>
Total non-earning assets		<u>846,466</u>	<u>781,707</u>
TOTAL ASSETS		<u>9,236,898</u>	<u>8,576,393</u>
LIABILITIES			
Interest bearing liabilities:			
Savings deposits	13	5,111,267	4,680,990
Voluntary shares	14	2,664,015	2,516,942
Deferred shares	15	500,000	500,000
External credits	16	<u>24,397</u>	<u>36,026</u>
Total interest-bearing liabilities		<u>8,299,679</u>	<u>7,733,958</u>
Non-interest bearing liabilities:			
Payables and accruals	17	269,199	265,636
Other liabilities	18	<u>78,332</u>	<u>74,098</u>
Total non-interest bearing liabilities		<u>347,531</u>	<u>339,734</u>
Total liabilities		<u>8,647,210</u>	<u>8,073,692</u>
EQUITY			
Permanent shares	19	564,953	537,010
Non-institutional capital	20(a)	(599,902)	(674,099)
Institutional capital	20(b)	489,707	475,697
Investment revaluation reserve	21(a)	15,687	10,506
Loan loss reserves	21(b)	-	30,034
Pension reserve	22	<u>119,243</u>	<u>123,553</u>
Total equity		<u>589,688</u>	<u>502,701</u>
TOTAL LIABILITIES AND EQUITY		<u>9,236,898</u>	<u>8,576,393</u>

The financial statements on pages 4 to 51 were approved for issue by the Board of Directors on April 3, 2018 and signed on its behalf by:


 _____ President
 S. Pitterson


 _____ Treasurer
 E. Shaw

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, 2017

(Expressed in Jamaica dollars unless otherwise stated)

	Note	Group		Co-operative	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Interest income:					
Loans to members		962,204	909,611	962,204	909,611
Investments and deposits		<u>123,110</u>	<u>112,018</u>	<u>123,110</u>	<u>111,999</u>
		<u>1,085,314</u>	<u>1,021,629</u>	<u>1,085,314</u>	<u>1,021,610</u>
Interest expense:					
Members' deposits		(180,001)	(167,947)	(180,001)	(167,947)
External credits		(278)	(3,111)	(278)	(3,111)
		<u>(180,279)</u>	<u>(171,058)</u>	<u>(180,279)</u>	<u>(171,058)</u>
Net interest income		905,035	850,571	905,035	850,552
Provisions for losses:					
Loans to members	4	(131,607)	(107,956)	(131,607)	(107,956)
Interest receivable	8(iv)	(1,922)	(24,049)	(1,922)	(24,049)
Other assets	8(iv)	(22,682)	(19,638)	(22,682)	(19,638)
Net interest income after write-offs and provision for losses		748,824	698,928	748,824	698,909
Non-interest income/(expense):					
Fees		209,740	203,420	209,740	203,420
Other income	23	183,936	113,682	184,803	112,756
Dividends from equity investments		1,559	536	1,559	536
Share of profit/(loss) of associate	12(b)	2,471	(914)	-	-
Other financial costs	24	(35,671)	(33,844)	(35,013)	(32,549)
Gross margin		1,110,859	981,808	1,109,913	983,072
Operating expenses	25	<u>(1,043,616)</u>	<u>(926,289)</u>	<u>(1,042,965)</u>	<u>(925,748)</u>
Surplus for the year		<u>67,243</u>	<u>55,519</u>	<u>66,948</u>	<u>57,324</u>
Other comprehensive (loss)/income:					
Item that will never be reclassified to profit or loss:					
Re-measurement (loss)/gain on employee benefits asset [note 9 (f)]		(13,705)	660	(13,705)	660
Item that may be reclassified to profit or loss:					
Change in fair value of available-for-sale financial assets		<u>5,181</u>	<u>3,431</u>	<u>5,181</u>	<u>3,431</u>
Total other comprehensive (loss)/income		<u>(8,524)</u>	<u>4,091</u>	<u>(8,524)</u>	<u>4,091</u>
Total comprehensive income for the year		<u><u>58,719</u></u>	<u><u>59,610</u></u>	<u><u>58,424</u></u>	<u><u>61,415</u></u>

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

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

Group Statement of Changes in Equity
Year ended December 31, 2017
(Expressed in Jamaica dollars unless otherwise stated)

	Group						
	Permanent shares \$'000	Non-institutional capital \$'000	Institutional capital \$'000	Investment revaluation reserve \$'000	Loan loss reserve \$'000	Pension reserve \$'000	Total \$'000
Balances at December 31, 2015	500,622	(737,842)	463,651	7,075	35,945	112,014	381,465
Total comprehensive income for the year:							
Profit for the year	-	55,519	-	-	-	-	55,519
Other comprehensive income	-	660	-	3,431	-	-	4,091
Total comprehensive income for the year	-	56,179	-	3,431	-	-	59,610
Transactions with owners, recorded directly in equity:							
Amounts subscribed, net of refunds	36,388	-	-	-	-	-	36,388
Entrance fees	-	-	581	-	-	-	581
Movements in reserves							
Transfer from pension reserve	-	(11,539)	-	-	-	11,539	-
Transfer to loan loss reserve	-	5,911	-	-	(5,911)	-	-
Transfer to statutory reserve	-	(11,465)	11,465	-	-	-	-
Total transactions with owners and movements in reserves	36,388	(17,093)	12,046	-	(5,911)	11,539	36,969
Balances at December 31, 2016	537,010	(698,756)	475,697	10,506	30,034	123,553	478,044
Total comprehensive income for the year:							
Profit for the year	-	67,243	-	-	-	-	67,243
Other comprehensive loss	-	(13,705)	-	5,181	-	-	(8,524)
Total comprehensive income for the year	-	53,538	-	5,181	-	-	58,719
Transactions with owners, recorded directly in equity:							
Amounts subscribed, net of refunds	27,943	-	-	-	-	-	27,943
Entrance fees	-	-	620	-	-	-	620
Movements in reserves							
Transfer from pension reserve	-	4,310	-	-	-	(4,310)	-
Transfer from loan loss reserve	-	30,034	-	-	(30,034)	-	-
Transfer to institutional capital	-	(13,390)	13,390	-	-	-	-
Total transactions with owners and movements in reserves	27,943	20,954	14,010	-	(30,034)	(4,310)	28,563
Balances at December 31, 2017	564,953	(624,264)	489,707	15,687	-	119,243	565,326

The accompanying notes form an integral part of the financial statements

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

Co-operative Statement of Changes in Equity
Year ended December 31, 2017
(Expressed in Jamaica dollars unless otherwise stated)

	Co-operative						Total \$'000
	Permanent shares \$'000	Non-institutional capital \$'000	Institutional \$'000	Investment revaluation capital \$'000	Loan Loss reserve \$'000	Pension reserve \$'000	
Balances at December 31, 2015	500,622	(714,990)	463,651	7,075	35,945	112,014	404,317
Total comprehensive income for the year							
Profit for the year	-	57,324	-	-	-	-	57,324
Other comprehensive income	-	660	-	3,431	-	-	4,091
Total comprehensive income for the year	-	57,984	-	3,431	-	-	61,415
Transactions with owners, recorded directly in equity							
Amounts subscribed, net of refunds	36,388	-	-	-	-	-	36,388
Entrance fees	-	-	581	-	-	-	581
Movements in reserves							
Transfer to pension reserve	-	(11,539)	-	-	-	11,539	-
Transfer from loan loss reserve	-	5,911	-	-	(5,911)	-	-
Transfer to statutory reserve	-	(11,465)	11,465	-	-	-	-
Total transactions with owners and movements in reserves	36,388	(17,093)	12,046	-	(5,911)	11,539	36,969
Balances at December 31, 2016	537,010	(674,099)	475,697	10,506	30,034	123,553	502,701
Total comprehensive income for the year:							
Profit for the year	-	66,948	-	-	-	-	66,948
Other comprehensive loss	-	(13,705)	-	5,181	-	-	(8,524)
Total comprehensive income for the year	-	53,243	-	5,181	-	-	58,424
Transactions with owners, recorded directly in equity:							
Amounts subscribed, net of refunds	27,943	-	-	-	-	-	27,943
Entrance fees	-	-	620	-	-	-	620
Movements in reserves							
Transfer from pension reserve	-	4,310	-	-	-	(4,310)	-
Transfer to loan loss reserve	-	30,034	-	-	(30,034)	-	-
Transfer to institutional capital	-	(13,390)	13,390	-	-	-	-
Total transactions with owners and movements in reserves	27,943	20,954	14,010	-	(30,034)	(4,310)	28,563
Balances at December 31, 2017	564,953	(599,902)	489,707	15,687	-	119,243	589,688

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, 2017

(Expressed in Jamaica dollars unless otherwise stated)

Group

	Non-Institutional Capital			Total
	Permanent share	Permanent share	Accumulated	
	<u>earnings</u>	<u>capital reserves</u>	<u>deficit</u>	
	[Note 20(a)(ii)]	[Note 20(a)]		
	\$'000	\$'000	\$'000	\$'000
Balances at December 31, 2015	(180,000)	3,495	(561,337)	(737,842)
Profit for the year	-	-	55,519	55,519
Re-measurement of employee benefits asset	-	-	660	660
Transfer from pension reserve	-	-	(11,539)	(11,539)
Transfer to loan loss reserve	-	-	5,911	5,911
Transfer to statutory reserve	-	-	(11,465)	(11,465)
Balances at December 31, 2016	(180,000)	3,495	(522,251)	(698,756)
Profit for the year	-	-	67,243	67,243
Re-measurement of employee benefits asset	-	-	(13,705)	(13,705)
Transfer to pension reserve	-	-	4,310	4,310
Transfer from loan loss reserve	-	-	30,034	30,034
Transfer to statutory reserve	-	-	(13,390)	(13,390)
Balances at December 31, 2017	<u>(180,000)</u>	<u>3,495</u>	<u>(447,759)</u>	<u>(624,264)</u>
<u>Co-operative</u>				
Balances at December 31, 2015	(180,000)	3,495	(538,485)	(714,990)
Profit for the year	-	-	57,324	57,324
Transfer from loan loss reserve	-	-	660	660
Transfer to pension reserve	-	-	(11,539)	(11,539)
Re-measurement of employee benefits asset	-	-	5,911	5,911
Transfer to statutory reserve	-	-	(11,465)	(11,465)
Balances at December 31, 2016	(180,000)	3,495	(497,594)	(674,099)
Profit for the year	-	-	66,948	66,948
Re-measurement of employee benefits asset	-	-	(13,705)	(13,705)
Transfer to pension reserve	-	-	4,310	4,310
Transfer from loan loss reserve	-	-	30,034	30,034
Transfer to statutory reserve	-	-	(13,390)	(13,390)
Balances at December 31, 2017	<u>(180,000)</u>	<u>3,495</u>	<u>(423,397)</u>	<u>(599,902)</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, 2017
(Expressed in Jamaica dollars unless otherwise stated)

	<u>Group</u>		<u>Co-operative</u>	
	<u>2017</u> \$'000	<u>2016</u> \$'000	<u>2017</u> \$'000	<u>2016</u> \$'000
Cash flows from operating activities:				
Profit for the year	67,243	55,519	66,948	57,324
Adjustments for:				
Interest income	(1,085,314)	(1,021,629)	(1,085,314)	(1,021,610)
Interest expense	180,279	171,058	180,279	171,058
Depreciation and amortisation	46,556	45,684	46,556	45,684
Employee benefits asset	3,265	1,249	3,265	1,249
Dividend income	(1,559)	(536)	(1,559)	(536)
Provision for loan and other losses	156,211	151,643	156,211	151,643
Gain on disposal of property, plant and equipment	(50)	-	(50)	-
Share of loss in associate	(2,471)	914	-	-
	(635,840)	(596,098)	(633,664)	(595,188)
Changes in operating assets and liabilities				
Loans to members	(616,026)	(607,520)	(616,026)	(607,520)
Saving deposits	430,277	157,423	430,277	157,423
Other assets	(137,669)	(57,256)	(141,627)	(56,608)
Non-interest bearing liabilities	5,542	56,422	7,252	58,322
Voluntary shares	147,073	228,069	147,073	228,069
External credits	(11,629)	(14,694)	(11,629)	(14,694)
	(818,272)	(833,654)	(818,344)	(830,196)
Interest received	1,117,558	980,782	1,117,558	980,701
Interest paid	(179,734)	(174,402)	(179,734)	(174,402)
Net cash provided/(used) by operating activities	<u>119,552</u>	<u>(27,274)</u>	<u>119,480</u>	<u>(23,897)</u>
Cash flows from investing activities:				
Investment in debentures, shares and bonds, net	45,113	406,646	45,113	406,646
Acquisition of intangible asset	(17,760)	(3,063)	(17,760)	(3,063)
Acquisition of property, plant and equipment	(54,291)	(11,147)	(54,291)	(11,147)
Proceeds from disposal of PPE	50	-	50	-
Pension contributions	(12,660)	(12,129)	(12,660)	(12,129)
Net cash (used)/provided by investing activities	<u>(39,548)</u>	<u>380,307</u>	<u>(39,548)</u>	<u>380,307</u>
Cash flows from financing activities:				
Permanent shares	27,943	36,388	27,943	36,388
Entrance fee	620	581	620	581
Deferred shares	-	200,000	-	200,000
Net cash provided by financing activities	<u>28,563</u>	<u>236,969</u>	<u>28,563</u>	<u>236,969</u>
Increase in liquid assets	108,567	590,002	108,495	593,379
Liquid assets at beginning of the year	<u>1,682,777</u>	<u>1,092,775</u>	<u>1,680,803</u>	<u>1,087,424</u>
Liquid assets at end of the year	<u>1,791,344</u>	<u>1,682,777</u>	<u>1,789,298</u>	<u>1,680,803</u>
Comprising:				
Liquid assets – earning	1,631,279	1,558,135	1,631,279	1,558,135
Liquid assets – non-earning	<u>160,065</u>	<u>124,642</u>	<u>158,019</u>	<u>122,668</u>
	<u>1,791,344</u>	<u>1,682,777</u>	<u>1,789,298</u>	<u>1,680,803</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, 2017

(Expressed in Jamaica dollars unless otherwise stated)

1. Identification

- (a) COK Sodality Co-operative Credit Union Limited (“the co-operative”) was registered under the Co-operative Societies Act and is domiciled in Jamaica. On November 1, 2009, City of Kingston Co-operative Credit Union Limited merged with Sodality Co-operative Credit Union Limited and the name was changed to COK Sodality Co-operative Credit Union Limited. Membership is limited to (a) persons living or working in the corporate area, (b) persons of the Catholic Faith, (c) employees of the co-operative, (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.

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	22.86%	Jamaica

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

2. Basis of preparation

- (a) Statement of compliance

The financial statements as at and for the year ended December 31, 2017 (the reporting date) are prepared in accordance with International Financial Reporting Standards (IFRS).

New and amended standards that became effective during the year:

Certain new and amended standards came into effect during the current financial year. The adoption of those standards and amendments did not impact the amounts and disclosures in 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, 2017

(Expressed in Jamaica dollars unless otherwise stated)

2. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

New and amended standards that have been issued but not yet effective:

Certain new and amended standards have been issued which are not yet effective for the current year and which the group has not early-adopted. The group has assessed the relevance of all such new standards and amendments with respect to its operations and has determined that the financial statements will be impacted by the following:

- The group is required to adopt IFRS 9, *Financial Instruments* from January 1, 2018. The standard replaces IAS 39, *Financial Instruments: Recognition and Measurement* and sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. It contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Based on its preliminary assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for accounts receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis. However, the Group is still in the process of its assessment and the final impact has not yet been determined.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for short-term receivables without a significant financing component.

COK Sodality Co-operative Credit Union Limited
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Notes to the financial statements

December 31, 2017

(Expressed in Jamaica dollars unless otherwise stated)

2. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

New and amended standards that have been issued but not yet effective (cont'd):

- IFRS 9, *Financial Instruments (continued)*

The group believes that impairment losses are likely to increase and become more volatile for assets in the scope of IFRS 9 impairment model. However, the group is still in the process of determining the likely financial impact on its financial statements.

IFRS 9 will require extensive disclosures, in particular for credit risk and ECLs. The group's assessment included an analysis to identify data gaps against current processes and the group is in the process of implementing the system and controls changes that it believes will be necessary to capture the required data.

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as follows:

- The group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including as impairment) changes. Differences in the carrying amounts of financial instruments resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at January 1, 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application:
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets as measured at FVTPL.
 - The designation of certain investments in equity investments not held for trading at FVOCI.
- The group is required to adopt IFRS 15, *Revenue from Contracts with Customers* from January 1, 2018. The standard established a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18, *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13, *Customer Loyalty Programmes*.

COK Sodality Co-operative Credit Union Limited
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Notes to the financial statements

December 31, 2017

(Expressed in Jamaica dollars unless otherwise stated)

2. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

New and amended standards that have been issued but not yet effective (cont'd):

- IFRS 15, *Financial Instruments (continued)*

The group will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

Management has assessed that the main impact of this standard is in respect of fees and commission income. Based on preliminary review, IFRS 15 is not expected to have a material impact on the timing and recognition of fees and commission income. However, management has not yet completed its assessment and the financial impact has not yet being determined.

- IFRS 16, *Leases*, which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Companies will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with value of US\$5,000 or less.

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases.

Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* is also adopted.

The group will recognise new assets and liabilities for its operating lease of office facilities. In addition, the nature of expenses related to these leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liability.

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

Notes to the financial statements

December 31, 2017

(Expressed in Jamaica dollars unless otherwise stated)

2. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

- Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Group's financial statements:

- *Annual Improvements to IFRSs 2014-2016* cycle amendments to IFRS 1 and IAS 28, effective retrospectively for annual reporting periods beginning on or after January 2018.
- IFRIC 23, *Uncertainty Over Income Tax Treatments*, is effective for annual reporting periods beginning on or after January 1, 2019.
- Amendments to IFRS 9, *Financial Instruments*, effective retrospectively for annual periods beginning on or after January 1, 2019.

(b) Basis of measurement:

The financial statements are prepared on the historical cost basis, except for the inclusion of certain investments at fair value. Additionally, the defined benefits asset is recognised as the fair value of plan assets less the present value of the defined benefits 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 as otherwise indicated.

(d) Going concern:

The preparation of the financial statements in accordance with IFRS assumes that the group 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 group or curtail the scale of its operations. This is commonly referred to as the going concern basis.

The group has significant deficit in non-institutional capital of \$624 million (2016: \$698 million) and \$600 million (2016: \$674 million) for the co-operative. Of this amount, JCCUL has guaranteed an amount of up to \$180 million [see note 20(a)(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, 2017

(Expressed in Jamaica dollars unless otherwise stated)

2. Basis of preparation (cont'd)

(d) Going concern (cont'd):

The strategic plans of the co-operative for the near term envisages a return to sustained profitability through the implementation of several initiatives and include, but not limited to, the following:

- increasing loan portfolio by 7% which should increase interest income.
- managing loan delinquency to an acceptable level of 7 % (2016: 7.5%).
- reducing ratio of operating expenses to average assets to 10.5%.

During the year, the group and co-operative reported surplus of \$67.2 million and \$66.9 million respectively.

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.

(e) 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) Allowance for loan loss:

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

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

Notes to the financial statements (continued)
 December 31, 2017
 (Expressed in Jamaica dollars unless otherwise stated)

2. Basis of preparation (cont'd)

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

(ii) Employee benefits:

The amounts recognised in the financial statements for employee benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include the discount rate used to determine the present value of estimated future cash flows required to settle the pension obligations.

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

3. Significant accounting policies

(a) Basis of consolidation

(i) Subsidiary

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

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

(ii) Associate

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

The associate's financial year ends on May 31 and, therefore, audited results as at December 31, 2017, were not available for inclusion in the consolidated financial statements at December 31, 2017. The share of profits included in the consolidated financial statements is based on the unaudited results up to December 31, 2017 [see details in note 12(b)]. The interest in associate is carried at cost in the co-operative's separate 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, 2017

(Expressed in Jamaica dollars unless otherwise stated)

3. Significant accounting policies (cont'd)

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank balances and are measured at cost.

(c) Property, plant and equipment

(i) Measurement:

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

(ii) Subsequent costs:

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

(iii) Depreciation:

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

Buildings	2½% per annum
Motorbike	33⅓% per annum
Office equipment, furniture and fixtures	20%, 10% per annum
Computer equipment	20% per annum
Building improvements	10% per annum

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

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3. Significant accounting policies (cont'd)

(d) Investments

Securities 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 securities that the group has the intent and ability to hold to maturity are classified as held-to-maturity. All other investments are classified as available-for-sale instruments.

Loans and receivables and held-to-maturity investments are initially measured at cost and subsequently at amortised cost, calculated on the effective interest method, less impairment losses. Premiums and discounts are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Available-for-sale investments are measured initially at cost and subsequently at fair value with changes in fair value recognised directly in other comprehensive income, except for impairment losses and in the case of debt securities, foreign exchange gains and losses. Where fair value cannot be reliably measured, they are stated at cost. Where the securities are disposed of, or impaired, the related accumulated unrealised gains or losses are recognised in profit or loss. Equity securities are considered impaired when there is a prolonged or significant decline in fair value below the cost of the securities.

Investments are recognised/derecognised on the day they are transferred to/from the group.

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

(e) Resale agreements

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

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

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3. Significant accounting policies (cont'd)

(f) 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 cost and subsequently measured at cost, less allowance for loan loss.

(ii) Allowance for loan losses:

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 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 losses to be stipulated percentages of total delinquent loans, the percentage varying with the period of delinquency, without considering security held against such loans.

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

(g) Intangible asset

Intangible asset, which represents software development costs, is measured 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 20% 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.

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3. Significant accounting policies (cont'd)

(h) Other assets

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

(i) Other payables and accruals

Other payables and accruals are measured at amortised cost.

(j) External credits

External credits are measured at amortised cost.

(k) Impairment

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

(i) Calculation of recoverable amount:

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

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

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3. Significant accounting policies (cont'd)

(k) Impairment (cont'd)

(ii) Reversals of impairment:

In respect of loans and receivables, 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 equities, that are recognised in other comprehensive income.

(l) 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.

(m) 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.

(n) 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 the reporting date. Foreign exchange differences arising on translation are recognised in profit or loss.

For the purpose of the statement of cash flows, foreign exchange gains and losses recognised in profit or loss are treated as cash items and included in cash flows from operating or financing activities along with movements in the principle balances giving rise to those gains and losses.

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3. Significant accounting policies (cont'd)

(o) Employee benefits

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

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

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

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

The co-operative's net obligation in respect of the defined-benefit pension plan is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is determined by reference to the yield at the reporting date on long-term government bonds with dates approximating the terms of the related liability. The calculation is performed using the projected unit credit method. When the calculation results in a potential asset for the co-operative, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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

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

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3. Significant accounting policies (cont'd)

(p) League fees and stabilisation dues

JCCUL has determined the rate of calculating league fees at 0.2% (2016: 0.2%) of total assets. These fees are capped at 10% of the total fees due from the Co-operative Movement, calculated by JCCUL. Stabilisation dues are computed at a rate of 0.15% (2016: 0.15%) of savings funds.

4. Loans to members

	<u>Group and Co-operative</u>	
	<u>2017</u> \$'000	<u>2016</u> \$'000
Balance at beginning of the year	6,029,147	5,512,808
Add: disbursements during year	<u>3,215,578</u>	<u>2,979,692</u>
	9,244,725	8,492,500
Less repayments and transfers	<u>(2,703,857)</u>	<u>(2,463,353)</u>
	6,540,868	6,029,147
Less: allowance for impairment losses	<u>(194,112)</u>	<u>(166,811)</u>
	<u>6,346,756</u>	<u>5,862,336</u>

(a) Delinquent loans:

<u>Period overdue</u>	<u>2017</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	2,225	160,069	0%	-
2 - 3 months	482	72,075	10%	7,208
3 - 6 months	1,086	119,194	30%	35,758
6 - 12 months	1,105	126,250	60%	75,750
Over 12 months	<u>211</u>	<u>58,294</u>	100%	<u>58,294</u>
	<u>5109</u>	<u>535,882</u>		<u>177,010</u>

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4. Loans to members (cont'd)

(a) Delinquent loans (cont'd):

<u>Period overdue</u>	2016			
	<u>Number in arrears</u>	<u>Loans in arrears \$'000</u>	<u>Provision (%)</u>	<u>PEARLS Loan loss provision required \$'000</u>
1 - 2 months	1953	129,933	0	-
2 - 3 months	423	35,569	10	3,557
3 - 6 months	995	85,803	30	25,741
6 - 12 months	1,083	101,787	60	61,072
Over 12 months	<u>270</u>	<u>106,475</u>	100	<u>106,475</u>
	<u>4,724</u>	<u>459,567</u>		<u>196,845</u>

Delinquent loans and advances on which interest is no longer accrued amounted to \$303,738,000 (2016: \$329,634,000) as at year-end.

(b) Loans, net of allowance for impairment losses, are due from the reporting date as follows:

	<u>Group and Co-operative</u>	
	<u>2017 \$'000</u>	<u>2016 \$'000</u>
Within 3 months	196,697	13,067
From 3 months to 1 year	233,832	294,940
From 1 year to 10 years and over	<u>5,916,227</u>	<u>5,554,329</u>
	<u>6,346,756</u>	<u>5,862,336</u>

(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>2017 \$'000</u>	<u>2016 \$'000</u>
Home equity	1,139,715	992,332
Mortgages	791,149	823,391
Motor vehicles	1,990,643	1,496,940
Loan within shares	325,869	334,808
Loan within deposits	390,679	374,021
Unsecured	1,456,010	1,401,304
Others	<u>252,691</u>	<u>439,540</u>
	<u>6,346,756</u>	<u>5,862,336</u>

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4. Loans to members (cont'd)

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

	<u>Group and Co-operative</u>	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Neither past due nor impaired	5,987,758	5,601,452
Past due but not impaired:		
2 to 3 months	177,090	90,477
3 to 6 months	101,802	34,884
6 to 12 months	21,962	30,344
Over 12 months	41,194	74,496
Individually impaired	<u>211,062</u>	<u>197,494</u>
	6,540,868	6,029,147
Less: allowance for impairment losses	<u>(194,112)</u>	<u>(166,811)</u>
	<u>6,346,756</u>	<u>5,862,336</u>

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

	<u>Group and Co-operative</u>	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Neither past due or impaired	4,947,947	4,409,684
Past due but not impaired	351,280	421,794
Individually impaired	<u>110,989</u>	<u>13,051</u>
	<u>5,410,216</u>	<u>4,844,529</u>

(e) The value of renegotiated loans as at year end was \$4,053,056 (2016: \$1,036,855).

(f) Allowance for impairment losses:

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

	<u>Group and Co-operative</u>	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
IFRS	166,811	150,136
Loans charged-off during the year	(104,306)	(91,181)
Increase in provision for the year	<u>131,607</u>	<u>107,956</u>
Balance at end of the year	<u>194,112</u>	<u>166,811</u>

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4. Loans to members (cont'd)

(f) Allowance for impairment losses (cont'd)

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

	<u>2017</u>	<u>2016</u>
IFRS provision as above	194,112	166,811
Loan loss reserve [note 21(b)]	<u>-</u>	<u>30,034</u>
	<u>194,112</u>	<u>196,845</u>

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

5. Earning liquid assets

	<u>Group and Co-operative</u>	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Loans and receivables at amortised cost:		
Resale agreements (i)	696,701	663,162
Other investments	312,363	297,335
Short-term deposits	537,650	511,328
Government of Jamaica securities	-	47,000
Corporate bonds	<u>84,565</u>	<u>39,310</u>
	<u>1,631,279</u>	<u>1,558,135</u>

(i) The fair value of securities held as collateral for resale agreements amounted to \$708,315,000 (2016: \$696,692,000) for the group and the co-operative.

6. Financial investments

	<u>Group and Co-operative</u>	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Loans and receivables – at amortised cost:		
Government of Jamaica securities	266,053	266,053
Corporate bonds	31,214	17,796
Other investments	<u>50,000</u>	<u>40,000</u>
	<u>347,267</u>	<u>323,849</u>
Available-for-sale:		
Quoted shares (carried at fair value)	16,832	4,059
Unquoted shares (carried at cost)	<u>48,298</u>	<u>46,307</u>
	<u>65,130</u>	<u>50,366</u>
	<u>412,397</u>	<u>374,215</u>

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7. Non-earning liquid assets

	<u>Group</u>		<u>Co-operative</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents:				
Cash floats	69,528	67,483	69,528	67,483
Bank accounts	<u>90,537</u>	<u>57,159</u>	<u>88,491</u>	<u>55,185</u>
	<u>160,065</u>	<u>124,642</u>	<u>158,019</u>	<u>122,668</u>

8. Other assets

	<u>Group</u>		<u>Co-operative</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	\$'000	\$'000	\$'000	\$'000
Interest receivable - members' loans	150,691	183,283	150,691	183,283
- investments	29,651	24,947	29,651	24,947
Imputed interest – staff loans	29,300	33,656	29,300	33,656
Deferred expenditure [see (i) below]	8,382	13,590	8,382	13,590
Other receivables [see (ii) and (iii) below]	222,748	196,803	237,717	210,271
Withholding tax recoverable	8,294	8,294	8,190	8,192
Prepayments	16,473	19,897	16,473	19,157
Dishonoured cheques	3	31	3	31
Remittance receivable	<u>5,003</u>	<u>8,743</u>	<u>5,003</u>	<u>6,479</u>
	470,545	489,244	485,410	499,606
Less provision for losses [see (iv) below]	<u>(188,770)</u>	<u>(211,196)</u>	<u>(188,770)</u>	<u>(211,196)</u>
	<u>281,775</u>	<u>278,048</u>	<u>296,640</u>	<u>288,410</u>

- (i) Deferred expenditure includes deposits on capital assets [note 30(b)] totalling \$7,992,000 (2016: \$13,883,000) for the group and co-operative.
- (ii) Other receivables include \$58,782,000 (2016: \$58,782,000) receivable from a cambio trading partner for defaults on amounts due, for which full provision has been made. Efforts to recover the outstanding amounts are diligently being pursued.
- (iii) Other receivables also include advances to fund the establishment of a membership benefit programme which offers access to emergency air ambulance service. The advances were to be repaid over a twelve-month period commencing in July 2011 and were subject to interest at the rate currently offered by the co-operative on unsecured facilities. Full provision has been made for the interest accrued during the period. The co-operative and its partners in this programme are committed to make up any funding deficiencies that may be experienced by the programme. Arrangements have been made to recover the outstanding amounts.

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8. Other assets (cont'd)

(iv) Other assets are shown net of provision for losses as follows:

	<u>Group and Co-operative</u>	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Balance at the beginning of the year	211,196	177,821
Provision made during the year:		
Interest receivable	1,922	24,049
Other receivables	22,682	19,638
Amounts written off	(47,030)	(10,312)
Balance at end of the year	<u>188,770</u>	<u>211,196</u>

9. Employee benefits asset

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

(a) Employee benefits asset:

	<u>Group and Co-operative</u>	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Present value of funded obligations	(364,390)	(301,025)
Fair value of plan assets	<u>483,633</u>	<u>424,578</u>
Asset recognised in statement of financial position	<u>119,243</u>	<u>123,553</u>

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

	<u>Group and Co-operative</u>	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Balance at beginning of the year	123,553	112,014
Contributions paid	12,660	12,129
Amount recognised in profit or loss (note 25)	(3,265)	(1,250)
Re-measurement (loss)/gain recognised in other comprehensive income	(13,705)	<u>660</u>
Balance at end of the year	<u>119,243</u>	<u>123,553</u>

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9. Employee benefits asset (cont'd)

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

	<u>Group and Co-operative</u>	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Balance at beginning of the year	(301,025)	(280,862)
Benefits paid	9,834	12,950
Service costs	(10,849)	(9,314)
Employees' contributions	(11,835)	(11,253)
Interest costs	(27,182)	(23,801)
Past service costs	(1,024)	-
Actuarial (loss)/gain arising from:		
- experience adjustments	(4,363)	23,850
- change in financial assumptions	(17,946)	(12,595)
Balance at end of the year	<u>(364,390)</u>	<u>(301,025)</u>

(d) Movements in plan assets:

	<u>Group and Co-operative</u>	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Fair value of plan assets at beginning of the year	424,578	392,876
Employees' contributions	11,835	11,253
Employer's contributions	12,660	12,129
Interest income	38,872	33,838
Benefits paid	(9,834)	(12,950)
Administrative expenses	(3,082)	(1,973)
Actuarial gain/(loss) on plan assets	<u>8,604</u>	<u>(10,595)</u>
Fair value of plan assets at end of the year	<u>483,633</u>	<u>424,578</u>

	<u>Group and Co-operative</u>			
	<u>2017</u>		<u>2016</u>	
	%	\$'000	%	\$'000
Plan assets consist of the following:				
Equities	21.28	102,934	7.86	33,389
Fixed income securities	60.84	294,219	75.31	319,731
Real estate	16.19	78,293	15.10	64,098
Other	<u>1.69</u>	<u>8,187</u>	<u>1.73</u>	<u>7,360</u>
	<u>100</u>	<u>483,633</u>	<u>100</u>	<u>424,578</u>

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9. Employee benefits asset (cont'd)

(e) Amount recognised in profit or loss:

	<u>Group and Co-operative</u>	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Current service costs	10,849	9,314
Interest on obligation	27,182	23,801
Interest income on plan assets	(38,872)	(33,838)
Past service costs	1,024	-
Administrative expenses	<u>3,082</u>	<u>1,972</u>
	<u>3,265</u>	<u>1,249</u>

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

	<u>Group and Co-operative</u>	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Re-measurement loss/(gain) on funded obligation	22,309	11,255
Re-measurement (gain)/loss on plan assets	(8,604)	(10,595)
	<u>13,705</u>	<u>(660)</u>

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

	<u>Group and Co-operative</u>	
	<u>2017</u>	<u>2016</u>
	%	%
Discount rate	8.0	9.0
Future salary increases	6.0	7.0
Price inflation	5.0	6.0
Pension increases	<u>2.5</u>	<u>3.0</u>

At December 31, 2017, the weighted average duration of the defined benefit obligation was 19.9 years (2016: 19.1 years).

- (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 \$9,170,000, 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 \$12,310,000.00 (2016: \$11,620,000).

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9. Employee benefits asset (cont'd)

(j) Sensitivity analysis on projected benefit obligation:

The calculation of the projected benefit obligation is sensitive to the assumptions used. The following table 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.

	Group and Co-operative			
	2017		2016	
	\$'000	\$'000	\$'000	\$'000
	1% increase	1% decrease	1% increase	1% decrease
Discount rate	(60,651)	81,612	(47,826)	63,663
Future salary increase	38,298	(32,002)	31,373	(26,281)
Future pension increases	<u>35,440</u>	<u>(29,495)</u>	<u>25,847</u>	<u>(21,945)</u>

10. Property, plant and equipment

Group and Co-operative

	<u>Land and buildings</u>	<u>Office equipment, furniture and fixtures</u>	<u>Data processing equipment</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000
Cost:				
December 31, 2015	240,088	218,723	110,464	569,275
Additions	1,545	4,902	4,700	11,147
Disposals	-	(41)	-	(41)
December 31, 2016	241,633	223,584	115,164	580,381
Additions	20,284	19,322	14,685	54,291
Disposals	-	(2,682)	(23)	(2,705)
December 31, 2017	<u>261,917</u>	<u>240,224</u>	<u>129,826</u>	<u>631,967</u>
Depreciation:				
December 31, 2015	84,281	171,271	88,182	343,734
Charge for the year	14,453	15,634	6,792	36,879
Disposals	-	(41)	-	(41)
December 31, 2016	98,734	186,864	94,974	380,572
Charge for the year	14,769	12,114	7,939	34,822
Disposals	-	(2,675)	(23)	(2,698)
December 31, 2017	<u>113,503</u>	<u>196,303</u>	<u>102,890</u>	<u>412,696</u>
Net book values:				
December 31, 2017	<u>148,414</u>	<u>43,921</u>	<u>26,936</u>	<u>219,271</u>
December 31, 2016	<u>142,899</u>	<u>36,720</u>	<u>20,190</u>	<u>199,809</u>

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11. Intangible asset

Software

	Group and Co-operative		
	<u>Cost</u>	<u>Amortisation</u>	<u>Carrying values</u>
	\$'000	\$'000	\$'000
Balance at December 31, 2015	173,167	(142,884)	-
Additions/charge for the year	<u>3,063</u>	<u>(8,805)</u>	<u>-</u>
Balance at December 31, 2016	176,230	(151,689)	24,541
Additions/charge for the year	<u>17,760</u>	<u>(11,734)</u>	<u>-</u>
Balance at December 31, 2017	<u>193,990</u>	<u>(163,423)</u>	<u>30,567</u>

12. Subsidiary and associate

(a) Investment in subsidiary:

This represents the co-operative's 100% holding of the issued shares of the subsidiary, COK Remittance Services Limited, comprising three ordinary shares, costing \$1,000,000 (2016: \$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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	\$'000	\$'000	\$'000	\$'000
Shares at cost in MoneyMasters Ltd	-	-	-	-
Carrying amount of investment in associate	10,155	11,069	21,726	21,726
Share of profit/(loss) of associate	<u>2,471</u>	<u>(914)</u>	<u>-</u>	<u>-</u>
	<u>12,626</u>	<u>10,155</u>	<u>21,726</u>	<u>21,726</u>

Unaudited financial information of the associate up to December 31:

	<u>Group</u>	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Non-current assets	1,069	1,790
Current assets	1,042,042	948,698
Non-current liabilities	(959,879)	(878,064)
Preference shares	<u>(28,000)</u>	<u>(28,000)</u>
Net assets attributable to equity holders	<u>55,232</u>	<u>44,424</u>
Group share of net assets 22.86% (2016: 22.86%)	<u>12,626</u>	<u>10,155</u>
Net profit/(loss) from continuing operations	<u>10,809</u>	<u>(3,997)</u>
Group's share of profit/(loss) from continuing operations	<u>2,471</u>	<u>(914)</u>

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13. Savings deposits

	<u>Group and Co-operative</u>	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Balance at beginning of the year	4,680,990	4,523,567
Add new deposits	<u>6,785,898</u>	<u>5,652,915</u>
	11,466,888	10,176,482
Less withdrawals and transfers	<u>(6,355,621)</u>	<u>(5,495,492)</u>
Balance at end of the year	<u>5,111,267</u>	<u>4,680,990</u>

14. Voluntary shares

	<u>Group and Co-operative</u>	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Balance at beginning of year	2,516,942	2,288,873
Add amount subscribed	<u>2,745,767</u>	<u>2,688,260</u>
	5,262,709	4,977,133
Less withdrawals and transfers	<u>(2,598,694)</u>	<u>(2,460,191)</u>
Balance at end of year	<u>2,664,015</u>	<u>2,516,942</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) 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.

15. Deferred shares

During 2016, additional shares were issued to increase the co-operative's capital. They are not withdrawable before May 2021 and bear interest of 8% per annum in the first year and, thereafter, at 100 basis points above the prevailing six-months treasury bill yield. The deferred shares are included in the capital base of the co-operative [see 34(e)].

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16. External credits

	Group and Co-operative	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Development Bank of Jamaica (i)	-	10,693
Fixed deposits held for corporates (ii)	<u>24,397</u>	<u>25,333</u>
	<u>24,397</u>	<u>36,026</u>

(i) These loans bore interest at 10% per annum and were secured by promissory notes. They were fully settled during the year.

(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 amount is due within one year.

17. Payables and accruals

	Group		Co-operative	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	\$'000	\$'000	\$'000	\$'000
(a) Payables:				
Other payables	45,632	51,840	44,592	49,355
Standing order payments	137,488	118,541	137,488	118,541
Advances and interest	<u>43,521</u>	<u>40,054</u>	<u>43,521</u>	<u>40,054</u>
	<u>226,641</u>	<u>210,435</u>	<u>225,601</u>	<u>207,950</u>
(b) Accruals:				
Interest payable	19,857	19,312	19,857	19,312
Withholding tax payable	2,701	2,556	2,701	2,556
Other accruals	<u>21,443</u>	<u>37,031</u>	<u>21,040</u>	<u>35,818</u>
	<u>44,001</u>	<u>58,899</u>	<u>43,598</u>	<u>57,686</u>
	<u>270,642</u>	<u>269,334</u>	<u>269,199</u>	<u>265,636</u>

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18. Other liabilities

	Group and Co-operative	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Social outreach	2	2
Unallocated receipts	53,091	50,944
Stale-dated cheques	<u>25,239</u>	<u>23,152</u>
	<u>78,332</u>	<u>74,098</u>

19. 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 represent cash invested as risk capital, which forms a permanent part of the capital of the co-operative. As at the reporting date, 139,531 (2016: 137,001) members had not yet met this requirement.

20. Non-institutional and institutional capital

(a) Non-institutional capital

	Group		Co-operative	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	\$'000	\$'000	\$'000	\$'000
Permanent share capital reserve (i)	3,495	3,495	3,495	3,495
Prior undivided earnings (ii)	(180,000)	(180,000)	(180,000)	(180,000)
Minority interest –MML	2,471	(914)	-	-
Net deficit	<u>(450,230)</u>	<u>(521,337)</u>	<u>(423,397)</u>	<u>(497,594)</u>
	<u>(624,264)</u>	<u>(698,756)</u>	<u>(599,902)</u>	<u>(674,099)</u>

(i) Permanent share capital reserve

Permanent share capital reserve was created in 1999 – 2000 as an appropriation from the undistributed surplus, approved at an Annual General Meeting. Subsequently, \$115.3M of this reserve was utilised as part-payment of \$1,600 each towards permanent shares (note 19) in respect of 72,086 members on record as at December 31, 2001. The balance of permanent share capital reserve 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. No transfer was made during the year ended December 31, 2017.

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

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

(b) Institutional capital

	<u>Group and Co-operative</u>	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Statutory and legal reserves (i)	221,692	207,682
General reserves (ii)	<u>268,015</u>	<u>268,015</u>
	<u>489,707</u>	<u>475,697</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 and the rules of the co-operative which require that a minimum of 20% of net surplus, and amounts collected for entrance fees must be transferred 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.

21. Other reserves

	<u>Group and Co-operative</u>	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Investment revaluation reserve (a)	15,687	10,506
Loan loss reserve (b)	<u>-</u>	<u>30,034</u>
	<u>15,687</u>	<u>40,540</u>

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

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

22. 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 and other comprehensive income, then transferred to this reserve (see note 9).

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23. Other income

	<u>Group</u>		<u>Co-operative</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	\$'000	\$'000	\$'000	\$'000
Remittance service	6,532	7,829	6,532	7,571
Foreign currency gains	222	2,968	1,089	2,561
Profit on cambio trading	11,648	10,760	11,648	10,149
Default interest	25,400	21,553	25,400	21,553
Documentation fees	10,508	9,366	10,508	9,366
Bad debt recoveries	88,626	33,005	88,626	33,005
Miscellaneous income	<u>41,000</u>	<u>28,201</u>	<u>41,000</u>	<u>28,551</u>
	<u>183,936</u>	<u>113,682</u>	<u>184,803</u>	<u>112,756</u>

24. Other financial costs

	<u>Group</u>		<u>Co-operative</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	\$'000	\$'000	\$'000	\$'000
Expenses – debit/credit card	5,384	6,545	5,384	6,545
Expenses – remittance service	645	56	-	-
Remittance sub-agent commission	2	43	-	-
Bank charges	4,632	4,500	4,620	4,448
Cambio licence fees	1,220	1,200	1,220	1,200
Remittance licence fees	248	1,254	248	110
Financial Services Commission licensing fee	1,554	747	1,554	747
Collections expenses	1	418	1	418
Loan broker expenses	5,077	4,433	5,077	4,433
Legal and documentation expenses	<u>16,908</u>	<u>14,648</u>	<u>16,909</u>	<u>14,648</u>
	<u>35,671</u>	<u>33,844</u>	<u>35,013</u>	<u>32,549</u>

25. Operating expenses

	<u>Group</u>		<u>Co-operative</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	\$'000	\$'000	\$'000	\$'000
Personnel expenses:				
Salaries and wages	529,816	475,210	529,816	472,885
Employer's statutory contributions	48,791	43,210	48,791	43,210
Education and training	5,233	3,361	5,233	3,361
Unused vacation leave	2,965	3,727	2,965	3,727
Pension cost [note 9(e)]	<u>3,265</u>	<u>1,249</u>	<u>3,265</u>	<u>1,249</u>
	<u>590,070</u>	<u>526,757</u>	<u>590,070</u>	<u>524,432</u>
Members' expenses:				
CUNA life savings and loan protection	<u>29,280</u>	<u>26,969</u>	<u>29,280</u>	<u>26,969</u>
Carried forward	<u>619,350</u>	<u>553,726</u>	<u>619,350</u>	<u>551,401</u>

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27. 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).
 - viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the co-operative or the parent of the co-operative.

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

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

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

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

	<u>Group</u>		<u>Co-operative</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	\$'000	\$'000	\$'000	\$'000
Subsidiary: Other receivables	<u>-</u>	<u>-</u>	<u>14,812</u>	<u>14,154</u>
Associate: Resale agreements	<u>-</u>	<u>2,537</u>	<u>-</u>	<u>2,537</u>

Balances with key management personnel are shown at note 26.

- (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 and Co-operative</u>	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Associate:		
Income earned from resale agreements	<u>60</u>	<u>141</u>

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

	<u>Group and Co-operative</u>	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Directors' honorarium	-	-
Short-term employee benefits included in personnel expenses (note 25)	<u>37,863</u>	<u>33,776</u>

28. **Life savings and loan protection insurance**

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

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29. Comparison of ledger balances

Group and co-operative

	<u>Savings deposits</u> \$'000	<u>Loans</u> \$'000	<u>Shares</u> \$'000
General ledger (unadjusted)	5,111,267	6,540,867	2,664,015
Personal ledger	<u>5,111,267</u>	<u>6,540,867</u>	<u>2,664,015</u>
Differences as at December 31, 2017	<u>-</u>	<u>-</u>	<u>-</u>
Differences as at December 31, 2016	<u>-</u>	<u>-</u>	<u>-</u>

30. Commitments

- (a) At December 31, 2017, there were loan commitments to members totalling \$56,990,000 (2016: \$18,045,000) for the group and the co-operative.
- (b) At December 31, 2017, total capital commitments for the group and the co-operative amounted to \$10,722,000 (2016: \$21,486,000), of which \$7,992,000 (2016: \$13,883,000) have been deposited [note 8(i)].

31. Contingencies

There are claims against the co-operative as follows:

- (a) There is a member's claim for damages in negligence for the sale of a property below its market value. 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 be cancelled. A defence was filed on behalf of the co-operative and served on the Claimants.
- (b) There is a case for damages in excess of \$1,200,000 for loss suffered as a result of alleged false imprisonment, breach of fiduciary duties and negligence.

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

32. Fidelity insurance

Fidelity insurance coverage was adequately maintained during the year.

33. Fair values

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

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33. 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: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: valuation techniques using significant unobservable inputs.

Accounting classifications and fair values

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

	Group and Co-operative		
	Carrying <u>amount</u> \$'000	Fair value <u>Level 1</u> \$'000	<u>Total</u> \$'000
2017:			
Available-for-sale financial assets	<u>16,832</u>	<u>16,832</u>	<u>16,832</u>
2016:			
Available-for-sale financial assets	<u>4,059</u>	<u>4,059</u>	<u>4,059</u>

There was no transfer between levels during the current and prior year.

Basis for determining fair values

Available-for-sale financial assets include, quoted and unquoted equities. Quoted equities are valued using the quoted market bid prices listed on the Jamaica Stock Exchange. Unquoted equities are carried at cost as it not practicable to determine fair value. The fair value of other financial instruments such as Government of Jamaica securities, corporate bonds, short-term deposits, resale agreements, other investments, other assets, savings deposits, voluntary shares, external credits, payables and accruals, and other liabilities are assumed to approximate carrying value due to their short-term nature. In such instances, no fair value computation and disclosures are done.

The fair value of deferred shares is assumed to approximate carrying value as they are at market terms and no discount or premium will be paid on their settlement.

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Notes to the financial statements (continued)

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(Expressed in Jamaica dollars unless otherwise stated)

34. Financial risk management

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

(a) Introduction and overview

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

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

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

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

(b) Credit risk

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

(i) Loans to members and guarantees

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

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34. Financial risk management (cont'd)

(b) Credit risk (cont'd)

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

Collateral

The co-operative holds collateral against loans to members in the form of mortgage interests over property, lien over motor vehicles, other registered securities over assets, hypothecation of shares and other savings held in the co-operative and guarantees. Estimates of fair value 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 properties. As at December 31, 2017, the co-operative held motor vehicles with an estimated value of \$5,450,000 (2016: \$15,657,000), and real properties with an estimated value of \$142,820,000 (2016: \$228,350,000). 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 not be able 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, which is based on PEARLS.

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Notes to the financial statements (continued)

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34. Financial risk management (cont'd)

(b) Credit risk (cont'd)

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

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.

(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's and co-operative's maximum exposure to credit risk, without taking account of the value of any collateral held and excluding loan commitments to members.

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

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Notes to the financial statements (continued)

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34. Financial risk management (cont'd)

(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 and 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 18.70% (2016: 18.17%).

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 10.21% (2016: 10.13%).

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

	Group				
	<u>2017</u>				
	<u>1 to 3</u> <u>months</u> <u>\$'000</u>	<u>3 to 12</u> <u>months</u> <u>\$'000</u>	<u>Over 12</u> <u>Outflow</u> <u>\$'000</u>	<u>Total Cash</u> <u>Outflow</u> <u>\$'000</u>	<u>Carrying</u> <u>Amount</u> <u>\$'000</u>
Savings deposits	3,872,246	748,114	457,146	5,077,507	5,111,267
Voluntary shares	2,664,015	-	-	2,664,015	2,664,015
Deferred shares	6,947	21,228	-	28,175	500,000
External credits	24,397	-	-	24,397	24,397
Non-interest bearing liabilities	<u>348,974</u>	<u>-</u>	<u>-</u>	<u>348,974</u>	<u>348,974</u>
	<u>6,916,579</u>	<u>769,342</u>	<u>457,146</u>	<u>8,143,068</u>	<u>8,648,653</u>
	<u>2016</u>				
	<u>1 to 3</u> <u>months</u> <u>\$000</u>	<u>3 to 12</u> <u>months</u> <u>\$000</u>	<u>Over 12</u> <u>months</u> <u>\$000</u>	<u>Total cash</u> <u>outflow</u> <u>\$000</u>	<u>Carrying</u> <u>Amount</u> <u>\$000</u>
Savings deposits	3,564,346	692,982	437,119	4,694,447	4,680,990
Voluntary shares	2,516,942	-	-	2,516,942	2,516,942
Deferred shares	9,321	28,482	500,000	37,803	500,000
External credits	36,290	-	-	36,290	36,026
Non-interest bearing liabilities	<u>343,432</u>	<u>-</u>	<u>-</u>	<u>343,432</u>	<u>343,432</u>
	<u>6,470,331</u>	<u>721,464</u>	<u>937,119</u>	<u>7,628,914</u>	<u>8,077,390</u>

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34. Financial risk management (cont'd)

(c) Liquidity risk (cont'd)

	Co-operative				
	<u>2017</u>				
	<u>1 to 3</u> <u>months</u> \$000	<u>3 to 12</u> <u>months</u> \$000	<u>Over 12</u> <u>months</u> \$000	<u>Total cash</u> <u>outflow</u> \$000	<u>Carrying</u> <u>Amount</u> \$000
Savings deposits	3,872,246	748,114	457,146	5,077,507	5,111,267
Voluntary shares	2,664,015	-	-	2,664,015	2,664,015
Deferred shares	6,947	21,228	-	28,175	500,000
External credits	24,524	-	-	24,524	24,397
Non-interest bearing liabilities	<u>347,531</u>	<u>-</u>	<u>-</u>	<u>347,531</u>	<u>347,531</u>
	<u>6,915,263</u>	<u>769,342</u>	<u>457,146</u>	<u>8,141,752</u>	<u>8,647,210</u>
	<u>2016</u>				
	<u>1 to 3</u> <u>months</u> \$000	<u>3 to 12</u> <u>months</u> \$000	<u>Over 12</u> <u>months</u> \$000	<u>Total cash</u> <u>outflow</u> \$000	<u>Carrying</u> <u>Amount</u> \$000
Savings deposits	3,564,346	692,982	437,119	4,694,447	4,680,990
Voluntary shares	2,516,942	-	-	2,516,942	2,516,942
Deferred shares	9,321	28,482	-	37,803	500,000
External credits	36,290	-	-	36,290	36,026
Non-interest bearing liabilities	<u>339,734</u>	<u>-</u>	<u>-</u>	<u>339,734</u>	<u>339,734</u>
	<u>6,466,633</u>	<u>721,464</u>	<u>437,119</u>	<u>7,625,216</u>	<u>8,073,692</u>

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

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

(d) Market risk

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

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

(i) Currency risk

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

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Notes to the financial statements (continued)
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34. 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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	US\$'000	US\$'000	US\$'000	US\$'000
Bank accounts	81	101	76	94
Cash float	<u>11</u>	<u>15</u>	<u>11</u>	<u>15</u>
	<u>92</u>	<u>116</u>	<u>87</u>	<u>109</u>
	<u>Group</u>		<u>Co-operative</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	£'000	£'000	£'000	£'000
Bank account	1	4	1	4
Cash floats	<u>5</u>	<u>2</u>	<u>5</u>	<u>2</u>
	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>

The exchange rates for the Jamaica dollar, in terms of the US\$ and Pound Sterling, as at December 31, 2017, were J\$125.0004 = US\$1.00 (2016: J\$128.44= US\$1.00) and J\$167.0275= £1.00 (2016: J\$157.42= £1.00).

A 4% (2016: 6%) weakening of the Jamaica dollar against the US\$ and £ at the reporting date would have reduced profit for the year by \$500,000 (2016: \$950,000) for the group and \$475,000 (2016: \$896,000) for the co-operative.

A 2% (2016: 1%) strengthening of the Jamaica dollar against the US\$ and £ at the reporting date would have decreased profit for the year by \$250,000 (2016: \$158,000) for the group and \$238,000 (2016: \$149,000) for the co-operative.

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2016.

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Notes to the financial statements (continued)
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34. 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. 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 and Co-operative</u>	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Fixed-rate instruments		
Financial assets	8,354,322	7,760,434
Financial liabilities	(7,741,522)	(7,164,565)
	<u>612,800</u>	<u>595,869</u>
	<u>Group and Co-operative</u>	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Variable-rate instruments		
Financial assets	194,352	184,352
Financial liabilities	(500,000)	(500,000)
	<u>(305,648)</u>	<u>(315,648)</u>

Fair value sensitivity analysis

The group and the co-operative do not account for any interest-bearing financial assets and liabilities at fair value, therefore a change in interest rates, at the reporting date, would not affect the carrying value of the group's and co-operative's financial instruments.

Cash flow sensitivity analysis for variable rate instruments

A change in interest rates at the reporting date would have increased/(decreased) profit for the year 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>Increased/(decreased) profit by</u>	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
1% (2016: 1%) increase in rates	(3,056)	(3,156)
1% (2016: 1%) decrease in rates	<u>3,056</u>	<u>3,156</u>

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Notes to the financial statements (continued)

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34. Financial risk management (cont'd)

(d) Market risk (cont'd)

(iii) Equity price risk:

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk.

Equity price risk arises from available-for-sale equity securities held by the group 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.

The group's holding of equity instruments is insignificant where a 10% charge in equity prices would have a negligible impact on the carrying value of the financial investments.

(e) Capital management

The group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns to its members and benefits for other stakeholders and to maintain a strong capital base to support the development of its business. The group and co-operative define their capital base as permanent capital, 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 10.3 % (2016: 9.8%). If the guarantee of \$180M by JCCUL is taken into consideration, the ratio would be 12.2% (2016: 11.9%), which is above the required 8%.

The proposed Bank of Jamaica regulations require JCCUL to ensure that member institutions:

- (i) Hold a minimum level of the regulatory capital of 6% of total assets; and
- (ii) Maintain a ratio of total regulatory capital to risk-weighted assets at or above 10%

The table below summaries the co-operative's composition of regulatory capital and capital ratios at the reporting date:

	<u>2017</u>		<u>2016</u>	
	<u>Actual</u> \$'000	<u>Required</u> \$'000	<u>Actual</u> \$'000	<u>Required</u> '000
Total regulatory capital	<u>954,759</u>	<u>704,938</u>	<u>840,735</u>	<u>647,609</u>
Risk-weighted assets	<u>7,049,378</u>	<u>-</u>	<u>6,476,092</u>	<u>-</u>
Risk-based capital adequacy ratio	<u>13.54%</u>	<u>10%</u>	<u>12.98%</u>	<u>10%</u>

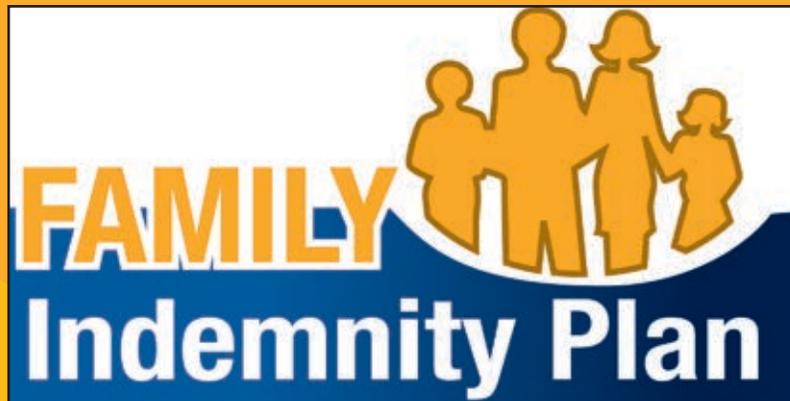
There were no changes in the group's approach to capital management during the year.

OBITUARY

COK Sodality Co-operative Credit Union wishes to express condolence to the families of those who passed during 2017. May their souls rest in peace and light perpetual shine upon them.

COK is pleased to announce that during 2017, 279 members or dependents were the beneficiaries of approximately \$122M paid in claims under our Family Indemnity Plan.

We also have a recorded number of 205 members for which an approximate \$13M was paid under the Loan Protection and Life Savings policy.



COK LOCATIONS

HEAD OFFICE

66 SLIPE ROAD
KINGSTON 5

CROSS ROAD

70 SLIPE ROAD
KINGSTON 5

HALF WAY TREE

9&10 WINCHESTER BUSINESS CENTRE
15 HOPE ROAD
KINGSTON 10

PORTMORE

SHOP #3
MCMASTER CENTRE
PORTMORE, ST. CATHERINE

MANDEVILLE

UNIT 1&2, 8 MANDEVILLE PLAZA,
MANDEVILLE MANCHESTER

MONTEGO BAY

30-34 MARKET STREET
MONTEGO BAY, ST. JAMES

OCHO RIOS SATELLITE OFFICE

SHOP #7
19 MAIN STREET
OCHO RIOS, ST. ANN

SPANISH TOWN SATELLITE OFFICE

52 YOUNG STREET
SPANISH TOWN, ST. CATHERINE.



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