COK SODALITY CO-OPERATIVE CREDIT UNION LTD.

Invest in your future today!

2018 ANNUAL REPORT

PRAYER OF SAINT FRANCIS OF ASSISI

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

O Divine Master, grant that I may not so much seek
to be consoled as to console;
to be understood as to understand;
to be loved as to love.

For it is in giving that we receive;
and it's in pardoning that we are pardoned;
And it's in dying that we are born to eternal life.

Amen.

CONTENTS

NOTICE

Notice is hereby given that the **52nd Annual General Meeting of COK Sodality Co-operative Credit Union Limited** will be held on **Wednesday, May 8, 2019**, at the **Jamaica Confernce Centre, starting at 1:00 p.m.**

Registration commences at 12:00 noon.

Sharon Usim
Secretary
April 2019

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 51st Annual General Meeting - Matters Arising
7. Reports
   a. Board of Directors
   b. Treasurer and Auditors - Presentation of Budget
   c. Credit Committee
   d. Supervisory Committee
   e. Delegates to the Jamaica Co-operative Credit Union League's (JCCUL) AGM
   f. Delegates to the Jamaica Fishermen Co-operative Union Limited's AGM
   g. Education Committee
8. Fixing of Maximum Liability
9. Appointment of Returning Officer
   a. Nominating Committee
10. 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
11. Any Other Business
12. 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

MINUTES

OF THE FIFTY-FIRST ANNUAL GENERAL MEETING OF COK SODALITY CO-OPERATIVE CREDIT UNION LIMITED HELD ON WEDNESDAY, MAY 9, 2018 AT THE JAMAICA CONFERENCE CENTRE COMMENCING AT 1:35PM

ASCERTAINMENT OF QUORUM AND CALL TO ORDER

Having ascertained from the Chief Executive Officer, Ambassador Aloun Ndombet-Assamba, that 240 persons registered and were in attendance, including those at the Mandeville and Montego Bay Branches which streamed live via the Worldwide Web and that the COK Sodality Co-operative Credit Union's Annual General Meeting (AGM) was legally constituted as per Rule 61 Section i(d), the President Mr Steadman Pitterson, Chairman, called the fifty-first AGM to order at 1:35pm.

READING OF NOTICE CONVENING THE MEETING

Mr Clive Medwynter, Assistant Secretary, read the notice convening the Meeting which complied with Rule 60 of the COK Sodality Co-operative Credit Union Rules. He advised that the Notice of the AGM and to have Resolutions passed to amend COK Sodality's Rules, was first published on April 22, 2018 in the Sunday Gleaner and posted in all COK Sodality Branches.

OPENING PRAYER AND OBITUARIES

Prayer was offered by Mr Vivian Daley, 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.

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 was Streamed live to those locations. Mr Pitterson outlined the Parliamentary procedures to be observed for the meeting as outlined in Appendix 1.

Mr Pitterson mentioned that the Credit Union's selected theme for 2017 was "Created, Owned and Powered by You". With this in mind the COK Sodality Team was fully revved-up and committed themselves to delivering on the set targets with renewed enthusiasm in a very competitive financial sector.

The Chairman reminded everyone that the AGM is where the general membership receive and discuss information on the day-to-day operations of the Credit Union from those providing oversight. It is at this medium that information is shared and the membership participate by giving their opinions, asking questions and giving suggestions that will ultimately provide growth and development of the Credit Union.

Mr Pitterson introduced the following persons to the meeting:-

Directors in Attendance

Mr Ewan Shaw	-	Treasurer
Mr Clive Medwynter	-	Assistant Secretary
Mr Michael Martin	-	Director
Mr Maurice Lewin	-	Director
Mrs Vinnate Hall	-	Director

Mrs Maureen Dwyer	-	Director
Mrs Sharon Usim	-	Director
Ms Carol Anglin	-	Director

The Chairman introduced the Senior Management Team comprising:-

Ambassador Aloun Ndombet-Assamba	-	Chief Executive Officer
Ms Linda Miller	-	Chief Operations Officer
Mr Andre` Gooden	-	Chief Business Development Officer

The members of staff were recognized.

He further introduced the Committee Members as follows:-

Supervisory Committee Members
Corporal William Graham - Chairman, Ms Dianne Edwards - Secretary, Mr Shridath Brown, Mr James Wood, Miss Charmaine Newsome, Mr Enoch Allen and Mr Kenneil Blake.

Credit Committee Members
Mr Vivian Daley - Chairman, Mrs Jacqueline Lloyd-Carter - Secretary, Mr Andral Shirley, Mr Rohan Townsend, Dr Annette Sykes, Mr Patrick Galbraith and Mr Ewan Millen.

WELCOME TO SPECIALLY INVITED GUESTS

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

Mr Errol Gallimore	-	Registrar, Department of Co-operatives & Friendly Societies (DCFS)
Mr Mario Clarke	-	DCFS
Mr Robin Levy	-	Group Chief Executive Officer, Jamaica Co-operative Credit Union League (JCCUL)
Ms Vera Lindo	-	Credit Unions Business Relationship Manager (JCCUL)
Mr Pete Smith	-	President, C&WJ Co-operative Credit Union (C&WJCCU)
Mr Carlton Barclay	-	Chief Executive Officer, C&WJCCU
Honourable Donna Parchment Brown	-	Political Ombudsman
Mr Wilbert Spence	-	KPMG
Ms Cordenia Wilson	-	KPMG
Ms Claudette Crooks	-	MoneyMasters Ltd (MML)
Mr Dennis Hickey	-	MML
Ms Nicole Bruce	-	CUNA Caribbean Insurance Jamaica Ltd.
Mr Carlton Bartley	-	Quality Network (QNET)
Mr Oral McCook	-	OGM Integrated Communications Ltd
Ms Odell Thelwell	-	OGM Integrated Communications Ltd
Mr Neville Rhone	-	Former General Manager, COK Sodality
Dr Karen Adair	-	Former Director, COK Sodality
Mr Christopher Robinson	-	Former Director, COK Sodality
Dr Karen Asher Osbourne	-	Former Director, COK Sodality
Mr Errol Beckford	-	Former Credit Committee Member
Mr Garth O'Sullivan	-	Trustee, COK Retirement Scheme
Mr Courtney Wynter	-	Trustee, COK Retirement Scheme
Mrs Margaret Morris	-	Member, COK Sodality
Mr Michael Burke	-	COK Sodality Delegate to Jamaica Fishermen's Co-operative Union
Mr Dean Williamson	-	Student Observer, Mona School of Business (MSB)

Ms Debra Cassi	-	Student Observer, MSB
Ms Aneeka Wilson	-	COK Sodality Social Media
Ms Katrina Grant-Gannguli	-	COK Sodality Social Media
Ms Beverley Cole	-	Stenographer

APOLOGIES FOR ABSENCE

Apologies for absence were received from the following:-

Mrs Brenda Cuthbert	-	Former General Manager, COK Sodality
Mrs Jacqueline Mighty	-	Former Chief Executive Officer, COK Sodality
Mrs Emma Thomas	-	Former Marketing Manager, COK Sodality
Mrs Joan Garfield	-	NCB Co-operative Credit Union
Mrs Laven Eccleston	-	DCFS
Miss Phillipa Beckford	-	CUNA Caribbean Insurance Jamaica Ltd.
Mrs Susan Thompson	-	JCCUL
Mr Winston Fletcher	-	President, JCCUL
Ms Charmaine Newsome	-	COK Sodality Supervisory Committee
Ms Ianthe Smith	-	Trustee, COK Retirement Scheme
Mr Trevor Blake	-	Trustee, COK Retirement Scheme
Reverend Michael Lewis	-	Former COK Sodality Director
Mr Albert Morris	-	Honorary Director, COK Sodality
Mrs Jacqueline Daley	-	Former COK Sodality Supervisory Committee Member

Apologies for lateness were received from COK Sodality Directors, Ms Carol Anglin, Mrs Debbie-Ann Gordon-Crawford and Mr Orville Christie; and also from COK Sodality Nominating Committee Member, Most Reverend Burchell McPherson.

Ambassador Ndombet-Assamba in recognition of Teachers' Day welcomed the teachers who were in attendance and wished them a Happy Teacher's Day. Special welcome was extended to the COK CARES who were in attendance.

ADOPTION AND CONFIRMATION OF THE 51st ANNUAL GENERAL MEETING

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

The Assistant Secretary, Mr Medwynter, drew the meeting's attention to the Errata Sheet which was tabled. The following amendments were highlighted from the Minutes and the 2017 annual report booklet:-

Page 6	Second column, 1st paragraph, 8th line, remove "the".
Page 7	First column, 3rd paragraph, 1st line, replace "Operating" with "Operations".
Page 13	First column, 5th paragraph, 13th line, replace "Processing" with "Credit".
Page 15	First column, 2nd paragraph, last line, replace "2016" with "2015".
Page 16	Second column, 5th paragraph, 2nd bullet, change "rease" to "increase".
Page 16	Second column, 6th paragraph, penultimate line, replace "$75.82M" with "$75.282M".
Page 17	First column, 2nd paragraph, penultimate line, replace "through" with "to" and "valid" with "valued".
Page 29	First column, 3rd paragraph, 3rd line should read "COK - Created, Owned and Powered by You".
Page 31	Second column, 6th paragraph, 5th bullet should read "National Blood Transfusion Services".
Page 32	First column, 2nd paragraph, 2nd line, replace "7.62%" with "7.83%".
Page 32	Second column, 7th paragraph, 2nd bullet should read "Proceeds of Crime Act and Regulations".
Page 35	APPENDIX 1, Section 2. FIXED DEPOSIT, 2nd line should read "2017, the number of members with Fixed Deposit Accounts and the Fund Value declined by 0.4% respectively".
Page 40	Delinquency 2013 - 17 Graph, change the Delinquency 2016 percentage to "7.83".

Page 42	Second column, 2nd Graph - Total Disbursements for 2013 - 2017, Disbursements for 2016 & 2017 should read "2,979" and "3,221" respectively.
Page 49	Management Team Picture – remove "Richardo Jones" name from standing and place it under "missing".
Page 65	First column, 2nd paragraph, 3rd line, replace "7.83%" with "8.15% and "7.00%" with "7.50%".
Page 65	Second column, Table was replaced.
Page 67	First column, 1st paragraph, 2nd line replace "$6,570,127,307" with "$6,540,866,000".

MATTERS ARISING FROM THE MINUTES

There were no matters arising for discussion from the Minutes, therefore the Motion for the adoption and confirmation of the Minutes was moved by Honourable Donna Parchment Brown and seconded by Mr Garth O'Sullivan. The motion was unanimously carried.

REPORTS

BOARD OF DIRECTORS

The motion for the Board of Directors' Report to be taken as read was moved by Mr Andre` Gooden and seconded by Ms Linda Miller. The motion was unanimously carried.

OVERVIEW

The President in presenting the Report for the year 2017, stated that throughout the year, the COK Team gave practical meaning to the 50th Anniversary theme, "COK - Created, Owned and Powered 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 Sodality has positively impacted their lives over the past 50 years.

ACHIEVING GROWTH

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 in 2017 to the 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 over the same period. The Credit Union's capital adequacy ratio continued to improve into 2017, moving to 10.34% from 9.78% in 2016.

The Credit Union disbursed loans totaling $3.22B through the branch network, against a target of $3.11B, achieving 103% of target. The initiation of a very successful motor vehicle loan campaign resulted in new loans of $817.6M, achieving 132% of budgeted target.

MEMBER EXPERIENCE, SALES AND MARKETING AND 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 Department maintained optimum engagement levels with our members, and ensured that issues were properly addressed. Some major areas of

focus included close adherence to the Service Level Agreement Charter, implementation of island-wide Member Service Training for staff, strengthening the accountability structure within the organization, improved communication via Facebook and Online Chat and periodic Member Service Surveys.

In a fiercely competitive financial landscape, your Credit Union remained visible in the marketplace through various media. This assisted us in achieving the loan disbursement target; achieving 5,451 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.

OPERATIONS, RISK AND COMPLIANCE

In late 2017, the Bank of Jamaica (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. The Credit Union continued its preparation with continuous self-assessments being done based on the expected changes to ensure that our Credit Union will be ready to apply for a licence under BOJ, once the Act is approved in the House of Parliament. The Credit Union has also continued its appeals to the members to update their accounts in order to be compliant with the requirements of the Proceeds of Crime Act and Regulations as well as the BOJ Anti-Money Laundering/Combating the Financing of Terrorism Guidelines.

Credit unions will soon be operating under a new financial standards, the International Financial Reporting Standard No. 9 (IFRS9) which replaces the International Accounting Standard No. 39 (IAS39). 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 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 was still being determined, with the League driving the process.

MICRO FINANCE UNIT

The Micro portfolio grew from $506M at December 2016 to $746M at December 2017. The savings portfolio grew from $159.6M to $196.5M for the same period. The disbursement target of $644M was exceeded by 11%. 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 5% at December 2016.

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 Branch network. Our members are now able to send money to their accounts as they seek to honour their obligations to the Credit Union.

CORPORATE SOCIAL RESPONSIBILITY

As a significant player in the financial sector we do have certain corporate responsibilities. In 2017, COK's 50th year, 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 4H Clubs, Portmore Domino League, National Blood Transfusion Services, Fletchers Land Police Station, United Nations Youth Ambassadors Programme, Environmental Coral Reef Preservation Initiative, Sigma Corporate Run and JCCUL Hurricane Relief Fund.

DELINQUENT LOANS

This area is the biggest challenge facing the Movement. 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 operation.

At the end of 2017 delinquency stood at 8.15% compared to 7.83% 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.

Charged-off loans are accounts that were in arrears in excess of 365 days, and for which the accounts reflected a 100% provision for the debts which were recommended to the Board by the Management for charged-off. In keeping with our Rule 38(i)(1) which states that all charged-off loans must be reported to the next Annual General Meeting by the Board of Directors, we hereby advice that these loans totaling $104.31M as of December 31, 2017 were approved by the of 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 from 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 area of focus was operational efficiency through organizational structural 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 Credit Union concluded 2017 with a staff complement of 275. During the year Dr Shaun Barnett Radcliffe, MIS Manager; Mr Anthony Morris, Internal Auditor; Mrs Emma Thomas, Sales & Marketing Manager and Mr Stanford Hasting, Mandeville Branch Manager, demitted office. Mr Richardo Jones, Internal Auditor, and Mrs Sharna Ramsay, Risk and Compliance Manager, were promoted to the Management Team.

VOLUNTEERS

Mrs Maureen Dwyer and Mrs Sharon Usim, were selected to replace the Directors who resigned in 2017. For the administrative year 2017/2018, Mr Orville Christie, Vice President and Mr Enoch Allen of the Supervisory Committee have indicated their unavailability to continue to serve.

MONEYMASTERS LIMITED (MML)

MoneyMasters Limited 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 during 2017, coming from a loss $914,000 in 2016. 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 continue to place great emphasis on corporate governance and conducted appraisals of the operations of the Credit Union and its related Business Units through monthly meetings and numerous sub-committee meetings such as Audit Risk & Compliance, Finance & Policy, Credit, Debt Management, Information Communication Technology and Supervisory.

THE WAY FORWARD

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

The Credit Union takes steps to protect the interest of the membership at all times. In this regard, the increase delinquency on unsecured loans will be cauterized as the Credit Union will be using the full extent of the law in recovering from grossly delinquent unsecured members through the Resident Magistrate Court. The Credit Union has also employed additional collectors and enhanced our Call Centre activities in an effort to address the high delinquency.

APPRECIATION

The Board records its appreciation to our loyal volunteers, management, staff, liaison officers and all who assisted COK Sodality Co-operative Credit

Union Limited in the conduct of its affairs over the past year.

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

DISCUSSION OF BOARD OF DIRECTORS' REPORT

Mr Garth O'Sullivan commended the Chairman on a comprehensive report and expressed his support for the initiative being undertaken to recover, through the Resident Magistrate Court, the members' money owed by the delinquent members. He said it is a serious situation as millions of dollars are owed by delinquent members, and this would show that efforts are being made to protect the members' money.

Mr Neville Rhone congratulated the Chairman for the presentation of a detailed and efficient report. He enquired whether the percentage of motor vehicles loans included trucks, tractors, and bulldozers. The information he said would assist in determining whether the Credit Union was attempting to fuel consumerism at the expense of other things. Ambassador Ndombet-Assamba responded that the loan break-out was not available. However loans are granted for productive purposes using motor vehicles and there was an arrangement with JUTA and other bus companies that offer transportation service.

Mr Michael Burke noted that care should be taken when granting large loans to ensure persons are able to repay as these large loans if not repaid would cause a greater impact on the Credit Union's delinquency. Ambassador Ndombet-Assamba explained that members who save with the Credit Union and applied for loans, this should be facilitated, as long as the due diligence is done to prove the ability to repay. This is the Credit Union's philosophy.

There being no further matters raised, Mr Medwynter thanked the President for the presentation of the report and the members for their participation in the deliberations.

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

The Treasurer, Mr Ewan Shaw in presenting the report invited Mr Wilbert Spence, Audit Representative from KPMG to read the Independent Auditor's Report found on Pages 91 to 93 of the Annual Report booklet.

OVERVIEW

Mr Shaw stated that 2017 was a very significant and important year for COK Sodality as it marked its 50th anniversary; and he hoped the Credit Union would continue for another 50 years and beyond.

Overall confidence in the economy continued during 2017 as Jamaica experienced the highest increase in employment over the last ten years, and this was evidenced as COK's savings portfolio grew from $7.19B to $7.77B. The encouraging growth conditions in the economy also allowed for more of our members to access a variety of loans, including the micro loan products. As a consequence the Credit Union realized a business surplus of $67.24M up from $55.52M in 2016.

PERFORMANCE

There were significant financial impacts within the 2017 year, which included growth of 8.26% in the loan portfolio, an increase of $454M, to close at over $6.34B. There was also a 7.42% growth in savings which increased by $577M. Permanent Shares grew by 4.95%, to close at $565M, up from $537M in 2016.
There was a 10% increase in interest income from investment for $11.10M, to close at $123M, up from $112M in 2016. Non-interest income, grew by 24% or $77.6M. Interest income from loans increased by 6% or $52.59M.

Operating expenses increased by 13% or $117.33M. One major cause of this increase was the union negotiation which amounted to $63M.

DEBT MANAGEMENT

Total provision grew by 3% moving from $151.6M to $156M. A number of members continue to exhibit poor loan repayment patterns, which negatively impacted the bad debt provisions. As at the end of December 2017 the delinquency rate was 8.15% up from 7.83%. The Debt Management Unit continues to collect on charged-off loans, which contributed to an increase in the bottom-line.

LOAN DISBURSEMENTS

The Credit Union's total assets increased by $658M over 2016, to close at $9.21B. Gross loans increased year-over-year by $484M to close at $6.34B. Disbursement for 2017 was $3.22B which was $236M more than 2016. The Credit Union streamlined the credit assessment policies, and also used the Credit Bureaus, which resulted in better quality loans, even as it sought to grow the portfolio. The Staff worked very hard to disburse the loans.

INVESTMENTS

The investment portfolio as at December 2017 was $2.04B. Interest income earned from investment was $123M, achieving growth of 10% for the 2017 financial year. This was mainly due to the strategic long term investments in secured corporate instruments that yielded a higher return than Government of Jamaica instruments.

SAVINGS AND DEPOSITS

The savings portfolio increase by $577M to $7.7B, which means that the members are saving in the Credit Union. The Credit Union ended 2017 with a liquidity ratio of 23%, compared to 18.82% in 2016. This means the Credit Union has a lot of cash available for any member who wants a loan, large or small, once the member qualifies.

MEMBERSHIP

For 2017 the Credit Union's new members for adults was 5,451, compared to 5,272 in 2016, while C.A.R.E.S. accounts were 2,739 compared to 2,336 in 2016. COK Sodality now has over 171,260 members fully compliant out of a total active membership of 277,191. Several initiatives were implemented in 2017 to encourage our members to become Permanent Share compliant.

THE WAY FORWARD

Mr Shaw stated that some of the strategic objectives for 2018 were:-

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

In 2018, COK Sodality will continue to enhance its core banking system as well as improve our website and our online banking facility to provide our members with several payment channels to deposit funds to their accounts. These initiatives 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.

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. Despite the fragile and challenging, economic environment in which we currently operate, COK still remains a safe institution, and we are very positive in our ability to play an important part in fostering financial independence and creating wealth for our members. COK Sodality'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.

HIGHLIGHTS OF THE 2018 BUDGET

Mr. Shaw presented a summary of the budget for 2018, as outlined on pages 46 to 47 in the Annual Report booklet. The Credit Union aimed to earn interest income for 2018 of $1.199B, with expenses of $382.86M, leaving net interest of $816.92M. Gross margin before operating expenses was set for $1.208B. We hope to achieve net income for 2018 of $152.60M. The projected growth in total asset was $9.901B. The total loans to members were set for $7.285B. The target for investments and deposits was set at $1.996B.

ACKNOWLEDGEMENT

The Treasurer in concluding the report expressed thanks to the Management and Staff of COK Sodality for remaining steadfast and dedicated in their duties to the organization. He also thanked the cadre of volunteers who unselfishly gave of their time and talent and were 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 and efficient manner. He expressed gratitude to the members for their continued support of the Credit Union and the opportunity given to him to serve in the capacity as Treasurer.

DISCUSSION OF THE TREASURER'S REPORT

Ms. Pauline Bailey commended Mr. Shaw for performing a good job as Treasurer and for the initiatives to be pursued to address delinquency and increase profit for 2018.

Mr. Garth O'Sullivan expressed appreciation on behalf of the members for the presentation of a good report and that no doubt everyone was more informed about the operations of the Credit Union.
Mr Michael Burke suggested that to keep the Credit Union going, a committee should be formed to identify what sort of co-operative businesses it can fund for its members. He stated that one such business could be tourism and one of the conditions of working there is that they must save in the Credit Union. He said Bed and Breakfast facilities could be considered, as it would be costly to build hotels. He said he was available to serve on any committee that is formed in this regard.

Mr. Shaw thanked Mr. Burke for the suggestions as he welcomed ideas that will benefit the Credit Union.

Mr Christopher Robinson enquired what impact the IFRS9 Standard would have on the Credit Union's operations. Mr. Pitterson advised that the Credit Union League was doing the assessment this will have on the Movement as the impact has not yet been fully determined. As soon as the determination is made the necessary fix will be undertaken. In the interim however discussions were being held in preparation for the eventuality.

Mr. Alvin Chung enquired about the increase of his Sagicor Health Insurance premiums resulting in some inconvenience to him. His particulars were taken by a staff member and Ambassador Ndombet-Assamba promised to investigate the matter and contact him.
There being no further questions or comments, Mr. Errel Crooks moved the motion for the adoption of the Treasurer's Report seconded by Miss Tamika Farquharson. The motion was unanimously carried.
The Chairman thanked Mr. Ewan Shaw for the Report 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 Mr. Jack Shirley seconded by Mrs. Jacqueline Lloyd-Carter. The motion was unanimously carried.

INTRODUCTION

Mr. Vivian Daley, Chairman, stated that the year 2017 was characterized by increased competition consequent on the granting of two commercial banking licenses. The first in the March quarter and the second in the September quarter of the year. The shifts in interest rate calculations, as well as a new foreign exchange management, caused an increase of 30.5% in loans and advances to the private sector relative to the growth of 13.8%.

If the licenses were not granted the growth rate would have been 10%. Competition also came from within the Movement with merger acquisitions. Against this background COK Sodality achieved a profit of $67.24M.

ROLE OF THE CREDIT COMMITTEE

One of the central duties of the Committee is risk mitigation and in this regard 88 accounts were reviewed with an aggregate total of $471.42M. The focus for the greater part of 2017 was loans over $5M. Of the 122 accounts as at May 2017 a total of 49 accounts were reviewed amounting to $458.58M or 40% of the portfolio. The findings from the reviews are relayed to Management for the appropriate actions to be taken.

ACHIEVEMENTS OF THE CENTRALIZED CREDIT UNIT

The Unit met its loan targets and as a result the Credit Union recorded growth of 8.4%. The Unit achieved the following during 2017:-

- Improved efficiency of loan process with a turnaround time of one day once all documentation is in place.
- Enhancement of loan products to make them more attractive
- Extensive training of backup Credit Officers to process loans during high volume periods.
- Enhancement of operational procedures for business loans.
- Refinement of documentation requirements at the point of origination, which reduced the level of delays and thus positively impacted turnaround time.

The Unit is showing great improvements in all loan processing and there is a turn-around time of 24 hours if the members submit all documentation.

PORTFOLIO REVIEW

Credit performance for the year was reasonable and the targets were met. The Management took the decision to escalate plans for 2018, which is hoped to achieve an increase of 15% in loans compared to the 8.3% achieved in 2017. There are eight loan products and these products represent 77% of the loan portfolio. It is expected that growth would be achieved in the loan products, such as motor vehicles, micro, FAST loan, Loan-within Shares, Loan-within Deposits, staff loans and Debt Consolidation.

POLICY RECOMMENDATIONS

Recommendations submitted to Management and were receiving attention related to:-

- 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

The recommendations should assist in improving the loan processing.

CONCLUSION

In concluding the Report, Mr Daley stated that the IFRS9 Standard will pose challenges to the Credit Union. However a team was in place and undergoing training in the new modus operandi and they should be well equipped with the information to deal with the IFRS9.

The ensuing year will be challenging for the Management and Staff and the Credit Union will have to raise the level of efficiency in booking good loans. The members should honour their obligations to the Credit Union, and introduce the services to their families and friends so the targets can be achieved.

ACKNOWLEDGEMENTS

Mr. Daley thanked the Board of Directors and Volunteers for their guidance, Management, Staff - especially the Credit Unit for their assistance in a difficult and competitive environment. Thanks also to the members for the confidence reposed in the Credit Committee Team.

DISCUSSION OF THE CREDIT COMMITTEE REPORT

Mr. Michael Burke stated that in the competitive financial environment, where the banks are offering similar products, the Credit Union has to be innovative. One such would be to consider offering the Fly Jamaica Co. loan to purchase an airplane, with a view to owning shares in that company. Another option he said would be to offer training loans to persons wanting to be trained as pilots with a view to increasing the number of pilots.

Mr Daley responded that the Credit Union would be looking at a number of initiatives, paying particular attention to risk factors and to see if there are any business possibilities.

There being no further questions or comments, Mr. James Wood moved the motion for the adoption of the Credit Committee's Report seconded by Mr Patrick Galbraith. The motion was unanimously carried.

The Chairman thanked Mr. Vivian Daley for the Report.

REPORT OF THE SUPERVISORY COMMITTEE

The Report was taken as read on a motion moved by Mr Garth O'Sullivan and seconded by Mr Andre` Gooden. The motion was unanimously carried.

INTRODUCTION

Mr. William Graham, Chairman advised 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 is supported by the Internal Audit Department, which operates by a mandate which allows for the examination of the Credit Union's affairs at intervals. The Committee authorizes 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. The Committee acts as a watchdog to ensure the operations of the organization are aligned with its Mission and Vision as well as adhere to its governing Policies and Rules.

ROLE AND RESPONSIBILITIES

The Supervisory Committee's mandate is to conduct continuous evaluations to determine the extent to which the Management and Staff adhere to the Policies and Rules laid down by the Board of Directors and the Co-operative Societies Act. The findings and recommendations are submitted to the Board of Directors.

AREAS OF FOCUS FOR 2017

The Committee reviewed the following areas for 2017:-

- 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)

The findings and recommendations were brought to the attention of the Management.

ACHIEVEMENTS

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.

The Committee re-instituted regular Branch visits with a view to improve compliance with policies, rules and other internal controls as well as to strengthen the Committee's knowledge and decision-making capacity.

The Committee reviewed suggestions received from the members and hoped that more members would utilize the suggestion boxes in the Branches for their comments and suggestions.

CONCLUSION AND ACKNOWLEDGEMENT

In concluding the Report, Mr. Graham acknowledged and thanked the Board of Directors, Volunteers, Management and Staff for their continued support and cooperation towards the work of the Committee. He expressed appreciation to the Internal Audit Department for their tremendous work and assistance to the Committee. He thanked the Committee members for the commitment and dedication to serving the Credit Union.

There being no questions, Mrs. Margaret Morris moved the motion for the adoption of the Supervisory Committee's Report seconded by Ms. Marcia Nichols. The motion was unanimously carried.

The Chairman thanked Mr. William Graham for the Report.

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

The Report was taken as read on a motion moved by Mr. Garth O'Sullivan and seconded by Ms. Dahlia Sterling. The motion was unanimously carried.

The Report was presented by Ambassador Aloun Ndombet-Assamba. She advised that the Jamaica Co-operative Credit Union League's Annual General

Meeting & Convention was held from May 25 - 28, 2017 at the Hilton Rose Hall Hotel & Spa in Montego Bay. Approximately 137 delegates and observers were in attendance.

Ambassador Ndombet-Assamba indicated that the details of the events were outlined on pages 79 to 81 of the booklet.

There being no questions, Mr. Errel Crooks moved the motion for the acceptance of the Report seconded by Ms. Simone Spaulding. 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 Ms. Dahlia Sterling and seconded by Ms. Juliet Stewart. The motion was unanimously carried.

The Report was presented by Ambassador Ndombet-Assamba. She mentioned that the meeting was held at the Drax Hall Estate, St. Ann on April 17, 2018. COK Sodality delegates, herself, Mr. Neville Rhone and Mr. Michael Burke were in attendance.

Ambassador Ndombet-Assamba indicated that the Report which provided the details of the activities at the meeting was outlined on pages 76 to 78 of the booklet.

Mr. Michael Burke expressed the view that the fishermen should seek out educational opportunities for their children for them to get other jobs other than that of their parents who have followed in the tradition of fishermen. They would be better able to save with the credit union and utilize the services that are being offered.

There being no further questions or comments, Mr. Richardo Jones moved the motion for the adoption of the Report seconded by Mr. Patrick Galbraith. The motion was unanimously carried.

REPORT OF THE EDUCATION COMMITTEE

The Report was taken as read on a motion moved by Mr. Kenneil Blake and seconded by Mr. Garth O'Sullivan. The motion was unanimously carried.

Mr. Michael Martin, Chairman of the Committee, advised that the Report was outlined on pages 82 to 83 of the booklet. He said 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 $707,500.00 were awarded in 2017. A grant was also awarded by the Margaret Rogers Foundation. The Committee continues to address and support COK Sodality's education demand.

In concluding the Report, Mr Martin thanked the members of the Committee for their dedicated service during 2017.

There being no questions, Mr Garth O'Sullivan moved the motion for the acceptance of the Report seconded by Hon. Donna Parchment Brown. The motion was unanimously carried.

PROPOSAL FOR THE FIXING OF MAXIMUM LIABILITY TO 31st DECEMBER 2018

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

This was adopted on a motion moved by the Treasurer, Mr. Ewan Shaw and seconded by Mr. Errel Crooks. The motion was unanimously carried.

ELECTIONS

The Report of the Nominating Committee 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 Elections, as per Rule 65(iv) were presided over by Mr. Mario Clarke of the Department of Co-operatives and Friendly Societies. He 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. He advised that Mr. Steadman Pitterson should be removed from the Director's list as he was reelected in 2017.

The selections were presented to the meeting as follows:-

BOARD OF DIRECTORS (For 1 year)

- Mrs. Sharon Usim

Mrs Usim was elected for one year to complete the term of Ms Marjorie Shaw.

- Mrs. Maureen Dwyer

Mrs Dwyer was elected for one year to complete the term of Mrs Jacqueline Lynch-Stewart.

BOARD OF DIRECTORS (For 2 years)

- Mr. Michael Martin
- Mrs. Vinnate Hall
- Mr. Clive Medwynter
- Mr. Danville Dockery

They were unanimously accepted on a motion moved by Hon. Donna Parchment Brown and seconded by Mr. Errel Crooks.

CREDIT COMMITTEE (For 2 years)

- Mr. I. Errol Gregory

He was unanimously accepted on a motion moved by Mr. James Wood and seconded by Mrs. Phillippa Edwards.

SUPERVISORY COMMITTEE (For 1 year)

- Corporal William Graham
- Mr. Shridath Brown
- Mr. James Wood
- Mr. Kenneil Blake
- Ms. Herma Walker
- Mrs. Phillippa Edwards
- Mrs. Dianne Edwards

They were unanimously accepted on a motion moved by Mr. Garth O'Sullivan and seconded by Ms. Dianne Fraser.

DELEGATES TO JCCUL (For 1 year)

- Ambassador Aloun Ndombet-Assamba
- Mr. Steadman Pitterson

ALTERNATE DELEGATES

- Mr. Clive Medwynter
- 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 Mrs. Margaret Morris and seconded by Mr. Rohan Townsend.

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

The Chairman thanked Mr. Mario Clarke for conducting the elections.

RESOLUTIONS TO AMEND RULES

In the absence of Mrs. Debbie-Ann Gordon-Crawford, Chairman of the Rule Book Sub-committee, Ambassador Ndombet-Assamba presented the Resolutions. She advised that there were two Resolutions.

Resolution for Nominating Committee Nomination Process and Elections

Ambassador Ndombet-Assamba informed the meeting that this Resolution was presented to the Annual General meeting in 2017, but was not passed due to challenges with the counting of the votes. As a result of this it had to be re-presented. She

explained that the Registrar of the Department of Co-operatives & Friendly Societies issued a directive to all credit unions to implement rules pertaining to the roles, functions and responsibilities of the Nominating Committees and the nominating process for elections by the members to serve as directors or Committee members. As a result of this COK Sodality was seeking to change its Rule 65. The details of the Resolution was outlined on pages 84 to 86 of the Annual Report booklet.

She led the meeting through the Resolutions to be voted on.

The voting for the Resolution was presided over by Mr. Errol Gallimore, Registrar of the Department of Co-operatives and Friendly Societies.

Mr. Courtney Wynter moved a motion for an amendment to (l) to add after "Committees" "in accordance with sub-rule (h)". The motion was seconded by Ms Dana Webster. The motion was unanimously carried.

Mr. Wynter also suggested that as it related to sub-section (j) (ii) members seeking nominations to the Board should not be delinquent with other credit unions. He said this should be captured on the Nominations Form. Mr Gallimore agreed, but noted that the matter would require further discussion.
Mr. Gallimore presented a preamble of the Resolution to the meeting and clarifying the comments and concerns which were expressed by the members.

Mr. Gallimore then put the Resolution to the vote, explaining that voting was also taking place in the Montego Bay and Mandeville Branches which were participating by Streaming.

The Registrar noted that the total number of persons present were 160 at the Conference Centre, 33 at the Mandeville Branch and 17 at the Montego Bay Branch, making a total of 210. Of this there were 2 persons who voted Against at the Conference Centre and 1 at the Montego Bay Branch. Abstentions were 3 at the Conference Centre and 5 at the Montego Bay Branch. So the Resolution to Amend Article XIII was therefore carried.

Amendments to Articles III, IV, V, VII, IX, X and XI

Ambassador Ndombet-Assamba informed the meeting that the Resolutions was outlined on pages 87 to 89 of the booklet. Ambassador Ndombet-Assamba led the meeting through the Resolutions to be voted on, explaining the changes to be made to the Articles.

Mr. Rohan Townsend moved a motion, seconded by Mr. Jack Shirley, for an amendment to Article III, removing the word "Trust" from "Special Trust Account" to make it "Special Account". The motion was carried.

The Resolutions were put to the vote. Mr. Gallimore presided over the voting. He indicated that the total number of persons present were 184 at the Conference Centre, 30 at the Mandeville Branch and 23 at the Montego Bay Branch. Of this, 1 person voted Against at the Conference Centre, 1 at the Montego Bay Branch and 1 at the Mandeville Branch. There were two Abstentions at the Conference Centre. So the Resolutions to amend Articles III, IV, V, VII, IX, X and XI were therefore carried.

ANY OTHER MATTERS

Presentation of plaques and citations

The volunteers who retired were presented with plaques and citations.

ACKNOWLEDGEMENT

The Chairman thanked everyone for their attendance at the 51st AGM and for their patience and participation in the deliberations and indicated that it was a very productive meeting.

The Chairman on behalf of the members, thanked the sponsors, photographers, media, recording secretary, management and staff of the Jamaica Conference Centre for their support 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 5:33pm on a motion moved by Mr. Courtney Wynter and seconded by Mr. Andre Gooden.

BOARD OF DIRECTORS

Front row seated: Left to Right:
Maureen Dwyer – Director, Steadman Pitterson – President,
Sharon Usim – Secretary

Back row: Left to Right:
Michael Martin – Assistant Treasurer, Danville Dockery – Director,
Errol Gregory – Director, Ewan Shaw – Treasurer,
Clive Medwynter – Vice President.

Missing:
Maurice Lewin – Assistant Secretary, Vinnate Hall – Director,
Carol Anglin – Director.

BOARD OF DIRECTORS REPORT 2018

STEADMAN PITTERSON, PRESIDENT

The Board of Directors of COK Sodality Co-operative Credit Union presents to you, the members, the Annual Report for the year 2018.

This year has been challenging for the Credit Union movement in general, and COK Sodality in particular, starting with the advent of IFRS 9 which negatively affected the carrying value of our capital. Secondly, the rapid reduction in interest rates severely challenged our earnings. Thirdly, the movement faced competition from the wider financial sector, as our products are no longer uniquely credit union related, but are now being offered by the banks and other unregulated financial institutions.

Notwithstanding the above national challenges, your credit union made a profit of $48.5M, somewhat less than the $67M made in the previous year. Given the aforementioned challenges, one could consider the performance creditable.

This was achieved through cost containment although we have not yet achieved our desired target. Despite the aggressive competition from within and outside the movement, COK was able to grow its loan portfolio by 20% to $7.86B. Deposits grew by 8% to $8.4B and total assets

SUMMARY OF COK's KEY OPERATING COMPARATIVE STATISTICS OF OUR EFFORTS IN 2018

Categories	Balance at @ 31/12/2017	Balance at @ 31/12/2018	Change ($) 31/12/2018 vs. 2017	Change (%) 31/12/2018 vs. 2017
Assets	$9.23B	$10.05B	$820.7M	9%
Savings (Deposits & Voluntary Shares)	$7.78B	$8.55B	$625.2M	10.10
Investments	$2.04B	$1.50B	-$530.2M	-3.78
Loan Portfolio	$6.54B	$7.86B	$1.32B	20%
Loan Disbursements	$2.92B	$4.03B	$1.11B	38%
Membership (Active)	277,191	241,632	-35,559	-7.80

9% of $9.05B. Other notable achievements worth mentioning are as follows:

1. Disbursed $4.03B, a first in COK history
2. Reactivation of 12,000 otherwise dormant accounts
3. Donated 28 scholarships valued at $720,000

SALES AND MARKETING & BUSINESS DEVELOPMENT

During the year we continued to refine our marketing efforts in order to attract new members and further engage existing members. A new direct marketing strategy was implemented, which drastically improved our visibility, particularly in social media, resulting in record levels of loan disbursement, member recruitment and savings inflows. Activities which increase visibility included several "on the ground" promotions, in partnership with selected media houses.

Your Credit Union forged new partnerships aimed at increasing the value of our organization, particularly with Bill Express.
Under the terms of the agreement, the entire range of COK transactions, including loan payments, deposits, pension and insurance payments will be facilitated at any of Bill Express' 200 locations.

Core Banking Agreement- Smart Solution

In October, COK Sodality signed an agreement to convert from FIN2000 to Smart Solution's Universa Premier Core Banking Suite. This project is slated to be completed and implemented by November 3, 2019. When implemented, this will generate significant savings in cost and allow for greater information gathering capability, which will enable the management of the various portfolios more effectively and efficiently in order to expand our product reach.

OPERATIONS, RISK AND COMPLIANCE

Bank of Jamaica (BOJ) Credit Union Act

The final draft of the bill entitled Credit Unions (Special Provisions) Act 2017 was discussed extensively by the Credit Unions and Jamaica Co-operative Credit Union League (JCCUL) and comments submitted to the Ministry of Finance . The tabling of the Bill in Parliament has been extended to June 2019 based on the IMF Letter of Intent.

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 Guidelines on the Detection and Prevention of Money Laundering and Terrorist Financing Activities.

International Financial Reporting Standard # 9

IFRS 9, the new accounting standard for financial institutions replaced IAS 39 effective January 2018. 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 loans and significantly larger provisions for delinquency when members fail to meet their loan repayment obligations on a timely basis.
- Significant new disclosure requirements, which requires upgrading our systems.

In 2018 your Credit Union has successfully completed a project to ensure that we are compliant with this new reporting standard. The new core banking system will be equipped with the required technologies to properly implement the IFRS 9 reporting requirements.

MICRO FINANCE UNIT

The Micro Portfolio grew by 66%, from $746M at December 2017 to $1.240B at December 2018. The Savings portfolio also grew from $196.5M to $232.1M in the same period, a growth rate of 18%. The disbursement of $953M exceeded the target of $784M by 22%.

COK Micro Unit is in receipt of international funding from the Inter American Development Bank (IDB) to assist with the development and launch of an Eco Micro project with the mandate to offer loans to our members island-wide, for investment in green technology for their homes and businesses. This will impact the reduction of reliance on fossil fuels, as well immediately reducing their overall energy costs. This project will dovetail into our continuing members education and training initiative, towards capacity building, as we continue to support the national development and increase our product offerings.

DELINQUENT LOANS

The Debt Management Committee of the Board provides oversight support and guidance to the Debt Management Unit by proactively making suggestions to bolstered debt collection and the delinquency management processes throughout the year, which is a very significant operational area of the Credit Union.

At the end of 2018 delinquency rate stood at 8.90% compared to 8.15% at the end of 2017 which is a slight increase of 0.75%. To contain the growing delinquency portfolio we will continue to actively assess the credit risk profile of the portfolio and will remain relentless in reducing our non-performing loan portfolio by reallocating resources as needed to control delinquency by implementing new strategies to even more aggressively tackle delinquencies to ensure more positive results in 2019 and beyond.

CHARGED-OFF LOANS

Members' accounts that were in arrears for more than 365 days that fell into the 100% provisional bucket 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 $79.7M as at December 31, 2018, were approved by the Board of Directors as Charged-Off Loans. Loans that were charged off will continue to be managed for collections, but will no longer be included as part of the active loan Portfolio balances. We however will remain committed in aggressively collecting as much of these outstanding loans as we can which will go directly towards our bottom line.

HUMAN RESOURCES

The Human Resource and Learning Department continued to provide strong organizational support in promoting the Vision and Mission of the Credit Union throughout 2018 by focusing on staff engagement, operational efficiency, health and wellness as well as capacity building.

In an effort to improve operational and workflow efficiencies the organizational structure was adjusted to facilitate the merger of the ATM Services, Cambio, Remittance and Financial Services sections into one Treasury and Financial Services Department, headed by a newly appointed Treasury and Financial Services Manager.

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.

COK continues to partner 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.
Key management movements during 2018:

Ms. Krista Dennis, Debt Management & Collections Manager, demitted office.

Mrs. Vevine Cameron, Credit & Securities Administration Manager, demitted office.

Mrs. Teasha Fraser-Griffiths, Assistant Manager, promoted to the Management Team.

Mr. Marlan Vickers, Senior Branch Relief Officer, promoted to the Management Team.

Mrs. Patrice Thomas - Hinds, Business Analyst, promoted to the Management Team.

Mr. Larry Johnson, Marketing Manager, joined the management team

VOLUNTEERS

For the administrative year 2018/2019, the following volunteers indicated their unavailability to continue to serve:

- Mr. Orville Christie - Board
- Mr. Ewan Millen - Credit Committee
- Ms. Charmaine Newsome - Supervisory Committee
- Mr. Enoch Allen - Supervisory Committee

After the last Annual General Meeting held in May 2018, the following persons were selected to serve the Credit Union:

- Director - Mr. Danville Dockery
- Director - Mr. Irwin Errol Gregory
- Supervisory Committee - Ms. Phillipa Anderson
- Supervisory Committee - Dr. Karen Adair
- Credit Committee - Mr. Errol Beckford

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

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

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 $2.36M (2017: 2.47M) on this investment in 2018. 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. Details on the meetings convened in 2018 are outlined in the table below:

Committee Meetings	Total No. of Meetings Held	Average Attendance
Audit, Risk & Compliance	4	71.18
Finace & Policy	11	71.72
Credit	25	67.24
Debt Management	11	68.34
Information Communication Technology	6	55.56
Supervisory	20	72.69

CORPORATE SOCIAL RESPONSIBILITY

In 2018, COK continued to honor its commitment to being good corporate citizens.

Labor Day Activities

Our Corporate Office, together with Portmore, Half Way Tee and Cross Roads branches participated in the refurbishment of the Comprehensive Health Centre on Slipe Pen Road, and also donated a refrigerator to the Centre.
Our Mandeville Branch in collaboration with the School's PTA undertook repairs to driveway and painted parking lot and curb walls, at the McIntosh Memorial Primary School in Williamsfield Manchester.
In Montego Bay the team cleaned up of the beach at the Old Hospital Marine Park.
Some other notable activities included:

- Health and Back to School Fair in August
- Members Bingo at our Head Office in October
- Participation in Jamaica 4H Club National Achievement Day
- Financial Literacy in School Projects across the island
- Staff Health Fair in September
- Soup and Soap charity activities at Head Office during Credit Union Week

In April 2018 COK Sodality proudly accepted the prestigious Jamaica Chamber of Commerce "Best of Chamber" Award, as recognition for our outstanding work in:

- Quality of Products and Services
- Business Performance, Growth and Innovation
- Human Resource Development
- Corporate Social Responsibility
- Community Outreach
- Support for Chamber Activities.

Andre Gooden is our representative on the Chamber of Commerce board.

In keeping with the company's thrust to promote health and wellness and prevent lifestyle diseases, the Credit Union hosted a health fair on the grounds of the Head Office, catering specifically for staff members. The Credit Union facilitated staff's participation in several 5k fun runs such as, Sagicor Sigma Run, Food for the Poor 5k and Guardian Night Run.

THE WAY FORWARD

2019 will be the year of TRANSFORMATION for COK, as the Board has agreed to invest significantly in the future of the organization.

By the end of 2019, we will have initiated

- A new loan origination system
- A new HR system
- A new core banking platform

These three large projects will propel COK into the future, enhance our efficiency and make us more competitive. The staff and volunteers are committed to play their part in transforming the organization.

APPRECIATION

We wish to record our appreciation to our loyal volunteers, management and staff, liaison officers and business partners, 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 continued dedication and support; as well as the confidence you have placed in us as we serve this prestigious institution

For, and behalf of the Board of Directors,

Steadman Pitterson
President

APPENDIX 1

OUR PRODUCTS AND SERVICES

1. PARTNER PLAN

PARTNER PLAN	2015	2016	2017	2018	CHANGE IN 2018
Members in Plan	2,947	3,346	3,614	4, 098	13%
Value	$109.9M	$140.3M	$164.1M	$184.06M	12%

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 2018 there were 4098 members with a Fund Value of $184.06M.

As displayed in the table above, these numbers represented increases of 13% and 12%, 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	5% of weekly hand
24 Weeks (6 Months)	No more than TWO late payments	15% of weekly hand
36 Weeks (9 Months)	No more than THREE late payments	45% of weekly hand
48 Weeks (12 Months)	No more than FOUR late payments	90% of weekly hand

2. FIXED DEPOSIT

FIXED DEPOSIT	2015	2016	2017	2018	CHANGE IN 2018
No. of Members	11,545	11,173	11,129	10,869	-2.3%
Value	$2.65B	$2.44B	$2.43B	$2.5B	3.0%

The Fixed Deposit Portfolio has been experiencing steady growth from 2016 to 2018. For 2018, the Fund value increased by 3 percentage points (see table above). However there was a marginal decline in the number of members with Fixed Deposit Accounts by 2.3 percentage points.

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	2015	2016	2017	2018	CHANGE IN 2018
No. of Members	5,804	6,297	6,625	6,834	3%
Value	$304.4M	$365.3M	$432.8M	$482.8M	12%

COK's Pension Plan continued to achieve steady growth year-over-year over the last four years. As depicted in the table above, the growth for 2018 in terms of the number of members was 3% and the value of the fund was 12%.

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	2015	2016	2017	2018	CHANGE IN 2018
New Members	2,698	3,430	2,862	3,070	7%
Total New Members	3,909	4,266	4,622	4,908	6%
Value	$610.2M	$693.3M	$838.6M	$930.3M	11%

The Golden Harvest Savings Plan allows members to save for a period of 1 to 5 years and offers an attractive interest rate. There was an increase of 7% and 6% in the number of new members and overall members on the plan respectively (see table above). There was a promising increase of 11% in the value of the Fund for 2018.

5. FAMILY INDEMNITY PLAN

FAMILY INDEMNITY PLAN	2015	2016	2017	2018	CHANGE IN 2018
Members	7,888	8,312	8,852	9,700	10%

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.

As represented in the table above, in 2018, there were 9,700 members on the plan which represents an increase of 10% year-on-year.

6. STANDING ORDER PAYMENTS

STANDING ORDER PAYMENTS	2015	2016	2017	2018	CHANGE IN 2018
Transactions	5,018	4,453	4,218	3,720	-12%
Institutions Paid	12	13	14	11	-21%

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 12% in the number of transactions processed and a decline of 21% in the amount of institutions to which payments were submitted.

7. COK XCHANGE – CAMBIO SERVICES

CAMBIO	2015	2016	2017	2018	CHANGE IN 2018
Amount Traded	US$21.2M	US$18.8M	US$19.2M	US$16.7M	-13%
Earnings	J$8.63M	J$10.35M	J$10.56M	J$16.18M	53%

During 2018, COK Cambio FX Trade analysis showed a substantial increase in profits of 53% when compared to profits achieved in 2017 (see table above).

8. COK REMITTANCE SERVICES

REMITTANCE (SUB AGENT)	2015	2016	2017	2018	CHANGE IN 2018
No. of Transfer	39,642	32,757	27,792	29,184	5%
Value	$1.09B	$1.09B	$696.8M	$940.4M	35%
Earnings	$8.14M	$8.48M	$7.32M	$7.79M	6%

During 2018 there was an increase in the operations of the COK Remittance operations. The table above outlines that the number of transfers were 29,184 which represented an increase of 5% while there was an increase of 35% in the value of transactions processed.

APPENDIX II

ATTENDANCE AT DIRECTORS' MEETINGS JANUARY 2018 – DECEMEBER 2018

Name	Position	Meetings	Attended	Excused
Mr Steadman Pitterson	President	14	13	1
Mr Clive Medwynter	Vice President	14	14	0
Mr Ewan Shaw	Treasurer	14	13	1
Mr Michael Martin	Assistant Treasurer	14	10	4
Mrs Sharon Usim	Secretary	14	13	1
Mr Maurice Lewin	Assistant Secretary	14	11	3
Ms Carol Anglin	Director	14	14	0
Mrs Vinnate Hall	Director	14	14	0
Mrs Maureen Dwyer	Director	14	9	5
Mr Errol Gregory	Director	3	3	0
Mr Danville Dockery	Director	9	8	1

TREASURER'S REPORT

FOR YEAR ENDED DECEMBER 31, 2018

The year 2018 marked our 51st anniversary serving our members and solidifying the ties with the many stakeholders we serve. It was a particularly challenging year for the Credit Union as unexpected changes in the market place and specifically interest rate impacted our financial performance.

Overall confidence in the economy continued during 2018, 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$7.8B to J$8.4B. Additionally, despite all the setbacks, the inflation rate as at December 2018 stood at 2.4%, which was outside the target set by the Minister of Finance of 4%-6%. The encouraging growth conditions in Jamaica's economy also allowed for more of our members to access a variety of loan products which contributed to COK's ability to make a surplus for 2018. Consequently, the Credit Union realized a business surplus of $46.19M. (2017: $66.95).

The Board and Management Team has had to reassess and adjust the strategic plans throughout the year in an effort to enable the Credit Union to remain relevant, efficient and financially viable.

PERFORMANCE

There were significant financial impacts within the 2018 financial year which resulted in the Credit Union achieving a number of positive results. These included:

- 20% growth in the Gross Loan Portfolio – increased by $1.32B, to close at $7.86B (2017 - $6.54B)
- 8% growth in the Savings Portfolio – increased by $625.20M, to close at $8.40B (2017 - $7.78B)
- 5% growth in Permanent Shares – increased by $29.93M to close at $594.89M (2017 – 564.95M)
- 8% growth in Interest income from loans - increased by 8% or $73.24M to close at $1.04B (2017:$962.20M)
- 14% decrease in Interest Expense – decreased by $24.86M to close at $155.42M (2017: $180.28)

There were however some areas that under-performed for the 2018 financial year, and as such impacted the Credit Union's performance negatively. These included the following:

- Other Financial Cost increased Year over Year by 40% or $14.1M (2018: $49.10M vs. 2017: $35.01M)
- Operating Expenses increased Year over Year by 4% or $45.33M (2018: $1.09 vs. 2017: $1.04M).

DEBT MANAGEMENT PLAN

As at the end of December 2018 the delinquency rate was 8.9% (2017: 8.15%). (See Graph 1 below) Even though there was an increase in the year-over-year delinquency rate, the Debt Management Unit was able to recover over $33M of written off loans.

Graph 1

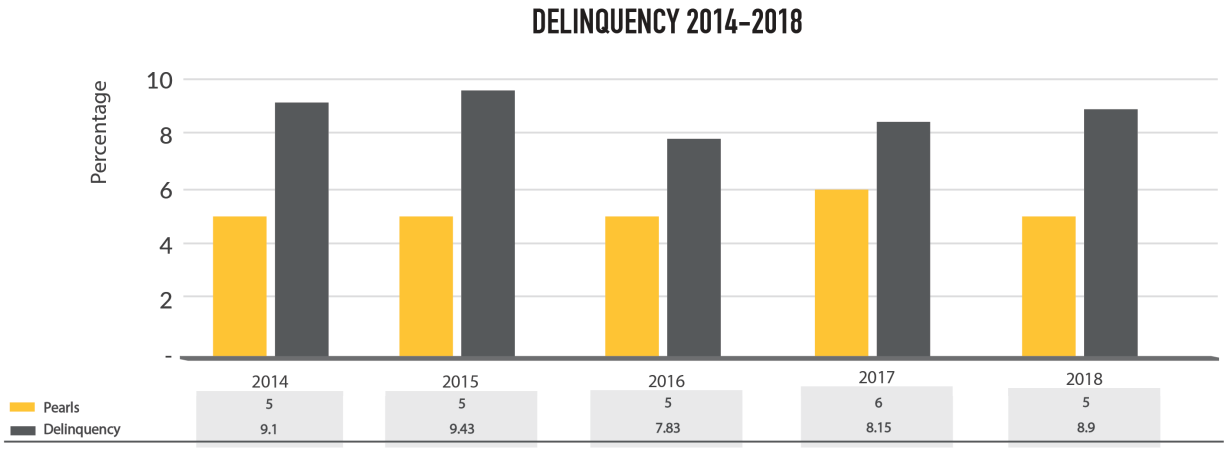


Table 1 below summarizes the results of the Credit Union's operations for 2018 as compared to 2017.

Table 1

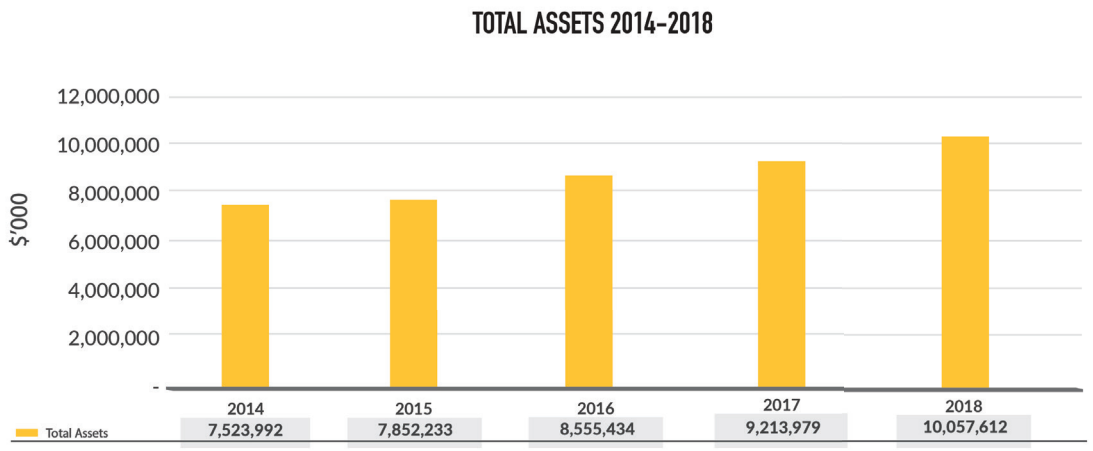
ANALYSIS OF CHANGE IN INCOME & EXPENDITURE 2018 VS 2017

	$'000	$'000	$'000	
	2018	2017	VARIANCE	Percentage (%)
INTEREST INCOME				
Members' Loans	1,035,440	962,204	73,236	8%
Investments and Deposits	82,971	123,110	(40,139)	-33%
TOTAL INTEREST INCOME	1,118,411	1,085,314	33,097	3%
INTEREST EXPENSE				
Members' Deposits	(154,561)	(180,001)	25,440	14%
External Credits	(861)	(278)	(583)	-210%
Other Financial Costs	(49,109)	(35,013)	(14,096)	-40%
TOTAL INTEREST EXPENSE	(204,531)	(215,292)	10,761	5%
NET INTEREST INCOME	913,880	870,022	43,858	5%
NON-INTEREST INCOME				
Fees	240,443	209,740	30,703	15%
Dividends on Equity	720	1,559	(839)	100%
Other Income	136,403	184,803	(48,400)	-26%
Total non-interest income	377,566	396,102	(18,536)	-5%
Gross margin before provision & expenses	1,291,446	1,266,124	25,322	2%
Less Operating Expenses	(1,088,297)	(1,042,965)	(45,332)	-4%
Surplus for the year before provision	1,291,446	1,291,446	1,291,446	-9%
Provisions:				
Allowance for loan losses	(156,955)	(131,607)	(25,348)	-19%
Allowance for interest losses	0	(1,922)	1,922	100%
Allowance for losses on other assets	0	(22,682)	22,682	100%
Total provision	(156,955)	(156,211)	(744)	0%
Surplus/(Loss) for the year before exceptional allowance	46,194	66,948	(20,754)	31%
Add Share of loss of Associate	0	0	0	
Surplus for the year	46,194	66,948	(20,754)	31%
Other Income/Loss	365,450	(8,524)	373,974	4387%
Total Comprehensive Income/Loss	411,644	58,424	353,220	605%

ASSETS

The Credit Union's Total Assets increased by $820.71M during the period of 2018 to close at $10.06B (2017: $9.24B). The growth in Total Assets was mainly due to an $888.95M increase in the Loan Portfolio.

Graph 2

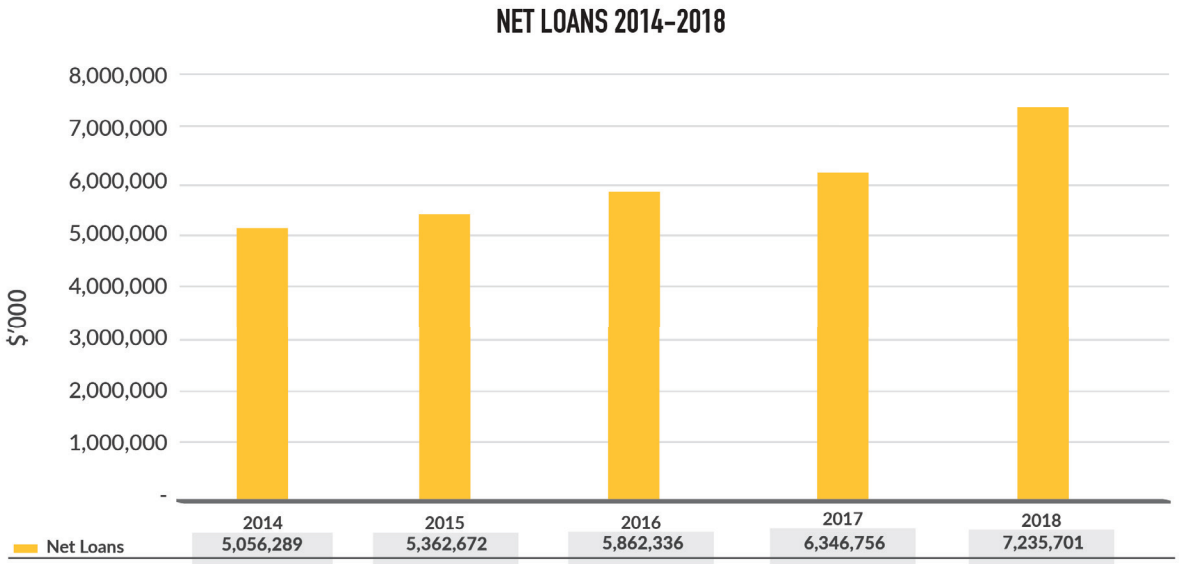


LOANS

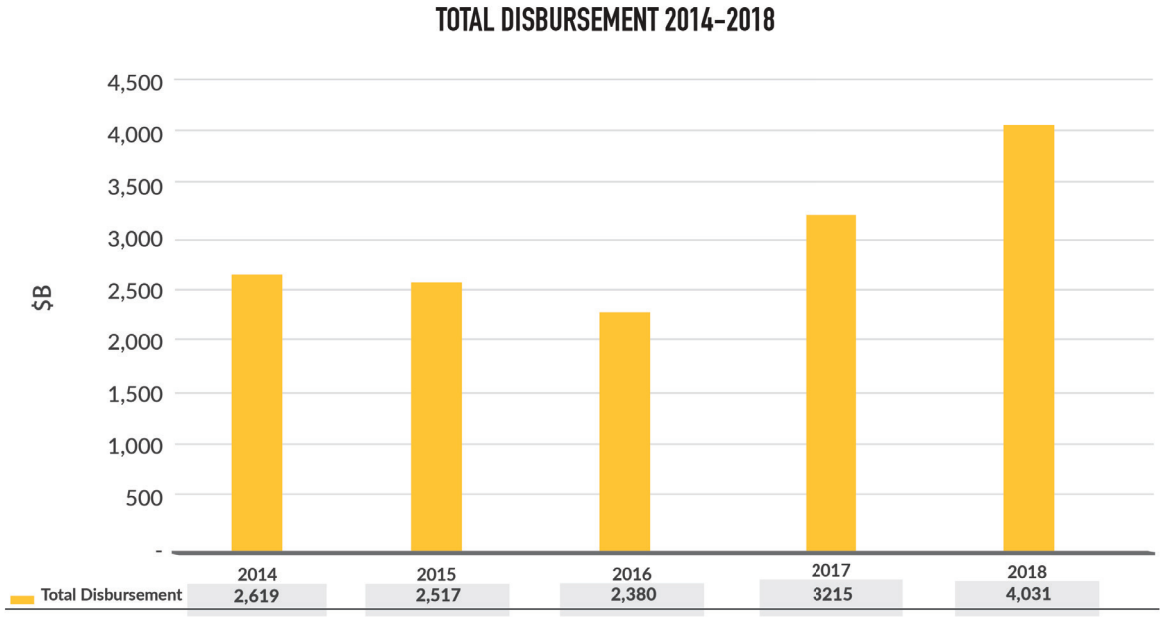
Gross loans increased significantly year over year by $1.32B (2018:$7.86B vs. 2017: $6.54B), Net Loans which are gross loans minus provision increased by JA $889M (2018: $7.24B vs. 2017: $6.35) as per graph 3. Disbursements for 2018 were $810M or 20% more than 2017 (2018: $4.03B vs. 2017: $3.22B) as per graph 4. The competitive and declining interest rate environment continued during 2018. 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 and home loan promotion. Despite the reduction in loan yields, the Credit Union achieved 97% (2017: 95%) of its projected loan interest income for 2018. Interest income from loans was $1.04B compared to $962M for the 2017 period. Our net loan to asset ratio at the end of the financial year was 72% (2017:69%) - 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 graphs 3 & 4 below).

Graph 3



Graph 4

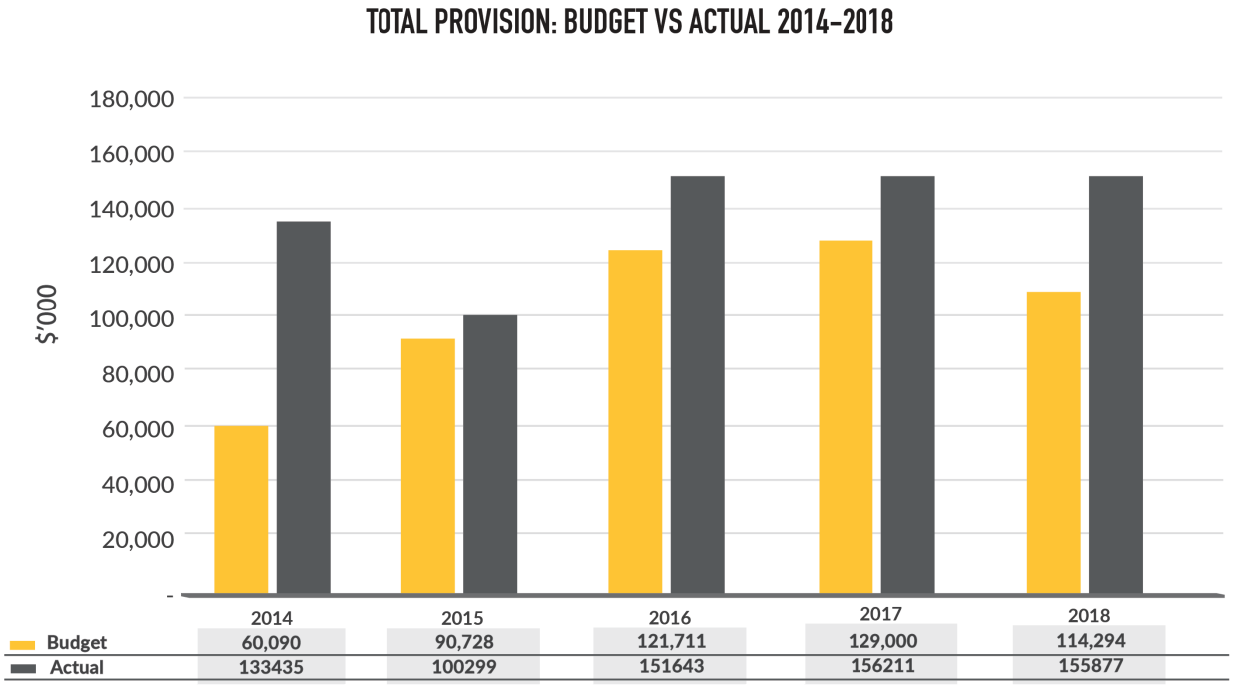


PROVISIONS

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 a Loan loss provision of $155.87M (2017:$156.21M) see Graph 5. The Credit Union was able to attain a 8.9% (2017: 8.15%) 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.

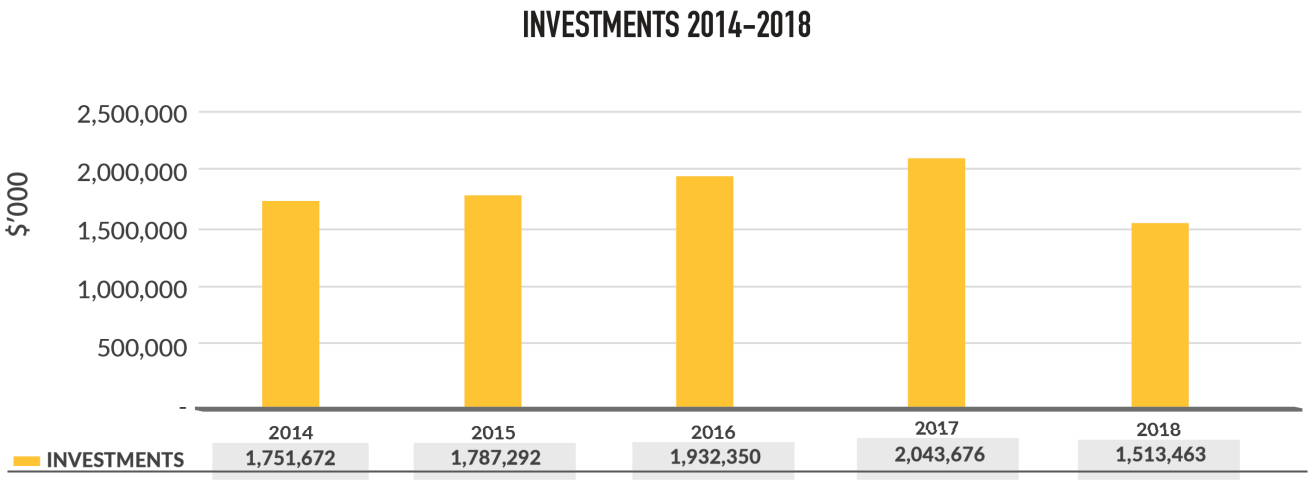
Graph 5



INVESTMENTS

As at December 2018, the investment portfolio was $1.51B (2017:$2.04B) as per Graph 6. Interest Income earned from investments was $82.97M (2017:$123.11M), decreasing by 33% or $40.14M for the 2018 financial year. This was mainly due to encashment and reallocation of short term investments as well as the overall fall in the interest rates.

Graph 6

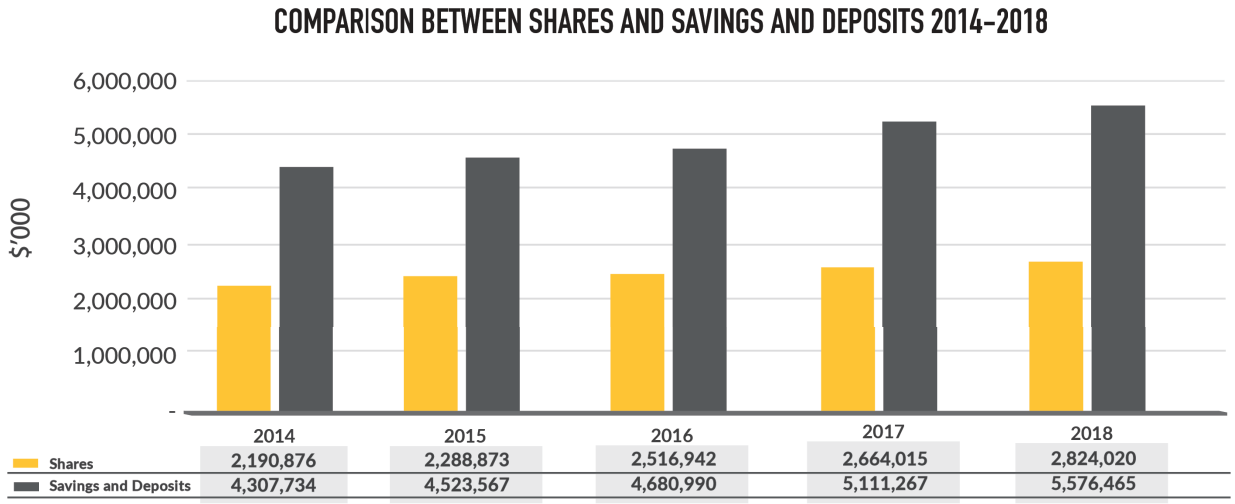


SHARES & DEPOSITS

The savings portfolio increased by $625.20M to $8.40B (2017: $7.78B) due to increased member confidence as well as new and creative offerings. This is evidenced by graph 7 which shows the increase in savings.

Interest expense on deposits decreased by $24.86M or 14% to $155.42M (2016: $180.28M).

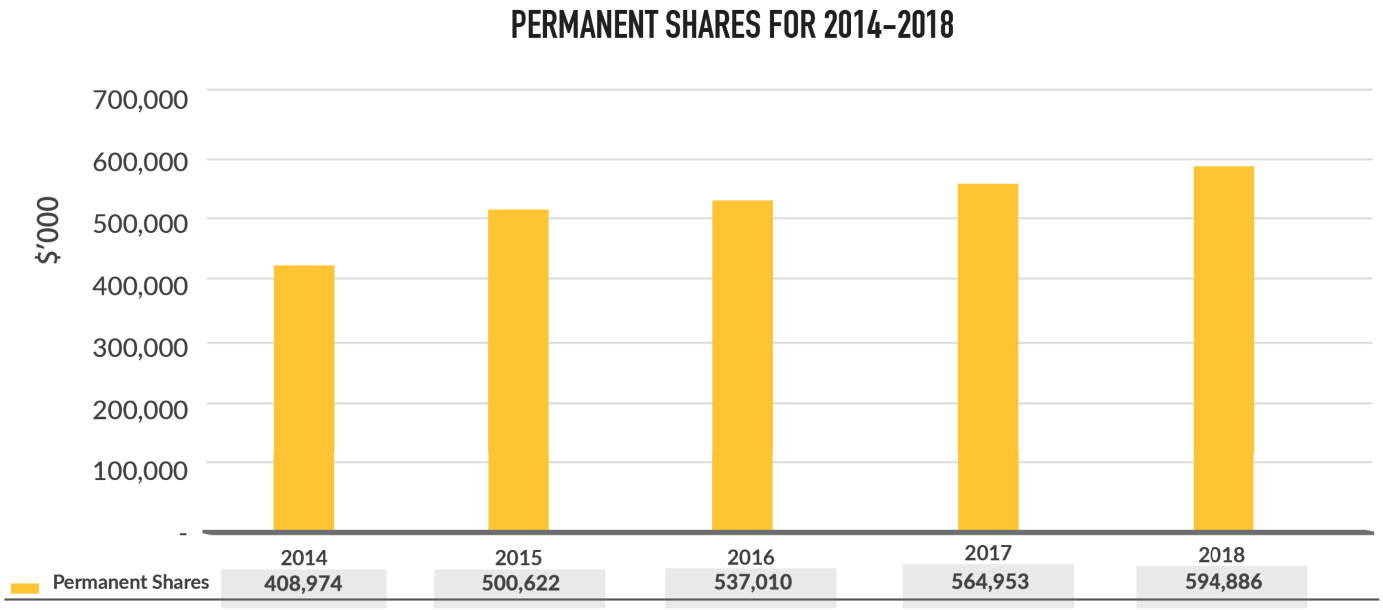
Graph 7



Membership-Permanent Shares

COK Sodality now has over 178,757 (2017: 171,260) members being fully compliant out of a total active membership of 241,632, this is evident by the increase in Permanent Shares of $29.93M (See Graph 8). Several initiatives were implemented in 2018 to encourage our members to become permanent share compliant. These included the Re-Activate and Save Promotions which ran throughout the year.

Graph 8



THE WAY FORWARD

The strategic objectives for the 2019 financial year are to:

- Grow our loan portfolio by 16%
- Reduce the delinquency ratio to 7%
- Increase interest income by 5%

Income Growth

The focus of COK Sodality Co-operative Credit Union in 2019 is to improve its assets and management of delinquency. Additionally, the Credit Union will continue to grow and balance the risk profile of the loan and investment portfolios in order to achieve budgeted target in loan and investment income.

The Credit Union will be diligently looking at other investment vehicles and low risk structured financing opportunities to enhance 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 to our members.

In 2019, COK will complete the implementation of the core banking system and loan origination system. We believe this initiative will improve our time to market for various 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 that COK Sodality is able to meet the objectives.

Capital Adequacy

In 2019, the Credit Union will improve its capital adequacy ratio by placing an offer of $600M Deferred Shares; as well as the planned contribution from surplus of approximately $85.55M. (See graph 10 below).

Graph 9

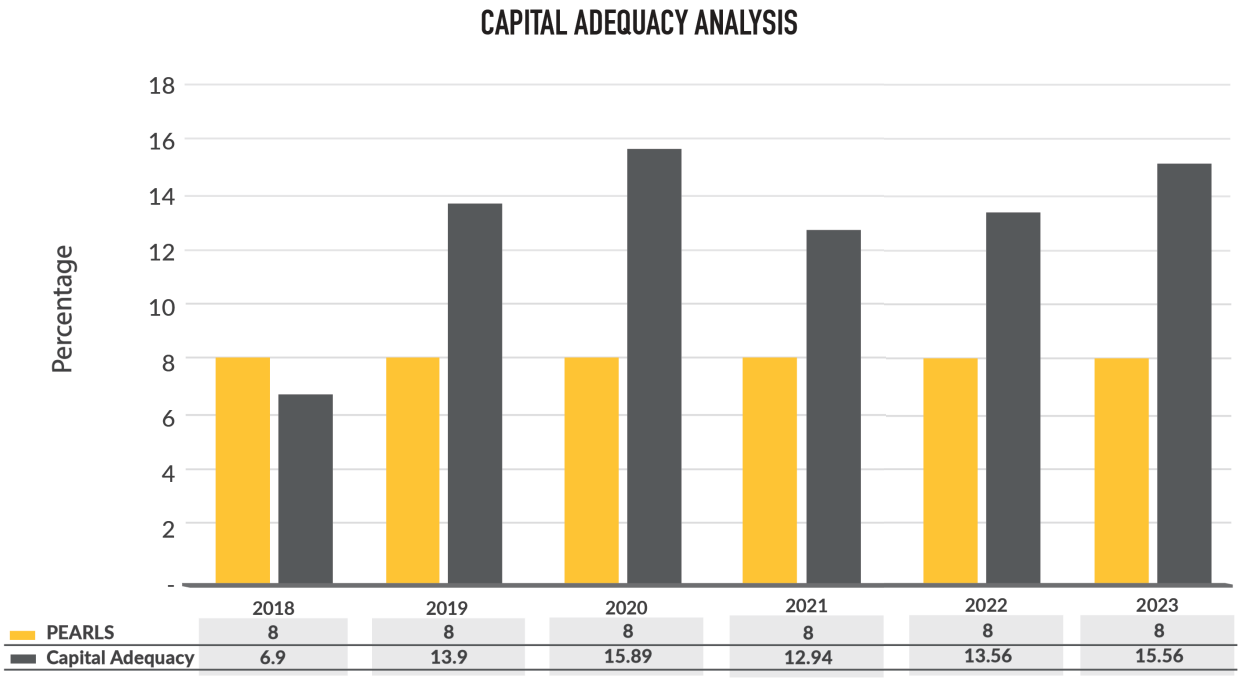


Table 2

2019 BUDGET – REVENUE AND EXPENDITURE REPORT

	2018 ACTUAL	2019 BUDGET
	$'000	$'000
INTEREST INCOME		
Members' Loans	1,035,440	1,156,391
Investments and Deposits	82,971	44,452
	1,118,411	1,200,843
FOR WHICH OUR INTEREST COST AND OTHER EXPENSES WERE		
INTEREST ON MEMBERS' DEPOSITS	131,508	134,732
INTEREST ON MEMBERS' SHARES (DEFERRED)	22,721	39,510
INTEREST EXPENSE INVESTMENTS	332	84
LOANS AND OTHER PROVISIONS	155,878	169,400
OTHER FINANCIAL COSTS	49,109	50,173
INTEREST ON EXTERNAL CREDIT	861	861
	360,409	394,760
LEAVING A NET INTEREST OF	758,002	806,083
AND WE ADD NET EARNINGS FROM NON-INTERST SOURCES		
CREDIT CARD	0	0
REMITTANCE SERVICES	6,986	5,923
CAMBIO SERVICES	16,044	12,354
FEES AND OTHER INCOME	353,458	410,150
	376,488	428,427
MAKING OUR GROSS MARGIN BEFORE OPERATING EXPENSES	1,134,490	1,234,510
FROM WHICH WE DEDUCT OUR OPERATING EXPENSES	1,088,297	1,148,957
LEAVING AN OPERATING INCOME/(LOSS)	46,194	85,553
ADD SHARE OF PROFIT OF ASSOCIATES	46,194	0
LEAVING A NET INCOME/LOSS		85,553

Table 3

2019 BUDGET – BALANCE SHEET STATEMENT

	2018 ACTUAL $'000	2019 BUDGET $'000
OUR ASSETS		
LOANS TO US AS MEMBERS	7,235,701	8,325,383
OUR INVESTMENTS IN OTHERS	1,638,177	1,628,458
CASH IN HAND & AT BANK	135,783	182,557
OWING TO US BY OTHERS	412,713	289,444
INTANGIBLE ASSETS	24,740	163,604
FIXED ASSETS WE PURCHASED	610,499	234,356
MAKING OUR GRAND TOTAL ASSETS	10,057,613	10,823,802
% GROWTH PROJECTED		8%
SOURCES FROM WHICH OUR ASSETS ARE FINANCED		
OUR SAVINGS IN SHARES	2,824,020	2,870,441
OUR SAVINGS IN DEPOSITS	5,576,465	5,976,879
EXTERNAL CREDITS	28,535	27,948
MAKING OUR TOTAL SAVINGS	8,429,020	8,875,268
INSTITUTIONAL CAPITAL	500,072	507,576
PERMANENT SHARES	594,886	621,815
DEFERRED SHARES	500,000	1,100,000
INVESTMENT REVALUATION RESERVE	65,236	19,847
LOAN LOSS RESERVE	0	0
PENSION RESERVE	101,986	119,243
BUILDING REVAL RESERV	380,891	
NON-INSTITUTIONAL CAPITAL	(900,703)	(716,801)
MAKING THE GRAND TOTAL WE OWN AS MEMBERS	9,671,394	10,526,948
WE OWED OTHERS AT YEAR END	386,219	296,856
AGREEING THE SOURCES OF FINANCING WITH OUR TOTAL ASSETS	10,057,613	10,823,802

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. The Credit Union remains committed to providing financial solutions to our 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. 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.

PRUDENTIAL INDICATORS	PEARLS	2018	2017	2016	2015	2014
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	71.94	68.88	68.49	68.29	67.20
Liquid Assets / Total Assets	<=16	11.75	17.7	18.21	11.27	11.71
Financial Investments / Total Assets	<=2	4.88	7.69	4.37	12.6	13.12
Total Savings / Total Assets	70-80	83.52	84.39	84.14	88.14	87.58
Shares / Total Assets	10-20	28-Jan	28.91	29.42	29.42	29.12
Institutional Capital / Total Assets	min 8	6.9	5.31	5.56	7	6.66
ASSET QUALITY						
Delinquency(>1 mth)/ Gross Loan Portfolio	<=5	8.9	8.15	7.83	9.57	9.10
Non-Earning Assets / Total Assets	<=7	11.77	8.94	8.89	7.63	8.04
RATES OF RETURN AND COSTS						
Net Loan Income/ Average Net Loan	mkt rate	14.18	14.71	14.5	32.63	13.54
Operating Expenses/ Average Assets	<= 8	10.84	11.71	10.8	11.42	10.93
Net Margin/ Average Assets	>=2.3	0.48	0.75	0.65	-0.19	-0.46
Loans loss provision / Average Assets	cover loss	6.21	1.47	1.54	1.99	1.49
LIQUIDITY						
Liquidity reserves/ Total savings deposits	10	12.45	21.16	18.82	11.53	11.63
Non-Earning Liquid Assets / Total Assets	<1	1.35	1.74	1.43	1.11	1.55
SIGNS OF GROWTH (YTD)						
Loans (gross)		38	7.63	0.093	12	12
Savings Deposits		9.1	8.42	0.035	2	2
Shares		6.01	5.52	2.2	0	1
Institutional Capital		2.12	2.86	2.6	-	-
Membership	5%	4%		3%	2%	2%
Total Assets	>=inflation	8.89	7.15	9.2	6%	0.22%

Ewan Shaw
Treasurer

RESOLUTION FOR THE FIXING OF MAXIMUM LIABILITY TO 31ST DECEMBER 2019

In keeping with Rule 69, it is proposed that Maximum Liability to December 31, 2019 be set at $12.3B, being 12 times the 2018 total capital, inclusive of Deferred Share of $500 million and excluding IFRS 9 provisioning of $330M, projected at $1.03B.

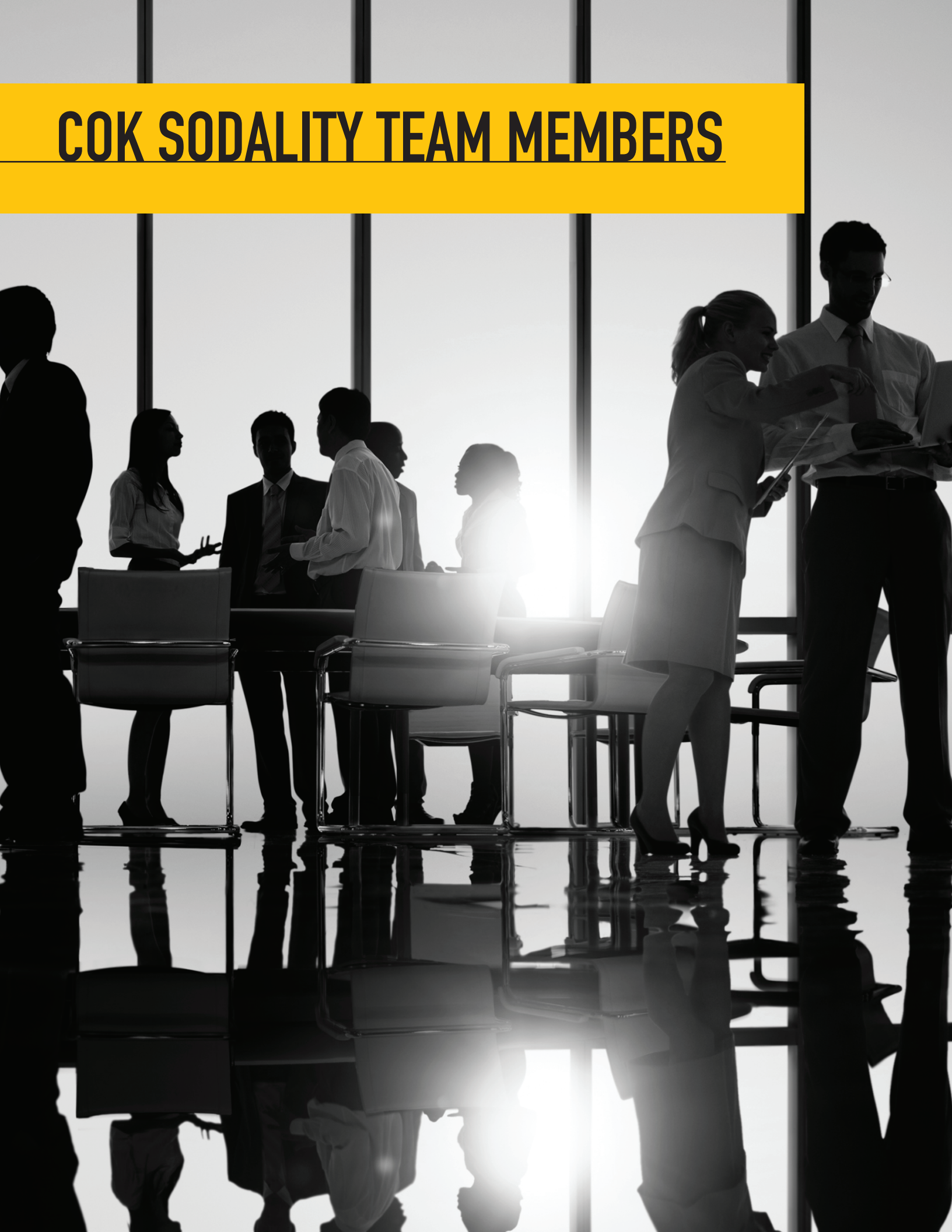
For and on behalf of the Board of Directors

Ewan Shaw
Treasurer

Proposed by: Mr. Ewan Shaw

Seconded by: Mr. Michael Martin

COK SODALITY TEAM MEMBERS



PENSION

Left to Right:
Britney Moriah-Gordon, Nicholas Clarke, Donica Bryan

CENTRALIZED SERVICES UNIT

Front Row: Left to Right:
Shameria Rose, Yashema Berdoe, Linda Miller (COO), Shana-Kaye Johnson, Kayan Reid.

Second Row: Left to Right:
Juliet Henry (Operations Manager), Juanique Holmes, Charlene Campbell, Natalee Hall, Desmond Henry, Jodian James, Natasia Reid.

RISK & COMPLIANCE

Front Row: Left to Right:
Sharna Ramsay (Manager), Odette Thomas

Second Row: Left to Right:
Sashene Miller, Alyssa Gardner, Roshene Clunis

SECURITIES ADMINISTRATION

Front Row seated: Left to Right:
Tanyshe Rhoden, Waldston Doyley, Linda Miller (COO), Obryan Graham, Shelly-Ann Cargill-Brooks

Back Row: Left to Right:
Greg Robinson, Nicholas Smith, Keneshia Goulbourne, Dianne Nicholas-Bolton (Credit Manager), Junior Pearce, Winsome Whylie-Tai, Jevaughn Johnson.

FACILITIES & PROCUREMENT

Front Row seated: Left to Right:
Lorina Hastings, Rexona Christie (Manager), Domalie Turner

Back Row: Left to Right:
Deryke Smith (CFO), Althea Rennie, Otis Jackson, Ryan Garvin

Missing: Andrew Kirkland; Sandra Facey; Winston McKenzie; Lloyd Clarke

TREASURY & FINANCIAL SERVICES

Front Row: Left to Right:
Shayon South, Casmarie Sherwood, Sheryl Williams-Gordon, Renee Rattray

Second Row: Left to Right:
Lamar Virgo, Teasha Fraser-Griffiths (Manager), Nadine Matthews, Angella Brown, Jhana-Dee Forbes.

Third Row: Left to Right: Abigale Scott, Deryke Smith (CFO), Brian Graham

OPERATIONS

Left to Right:
Juliet Henry (Operations Manager), Linda Miller (COO), Juanique Holmes.

Missing: Paul-Ann James and Karlene Brown.

INTERNAL AUDIT

Left to Right:
Aldene DaCosta, Melicia Tait, Kadian McDonald-Kidd, Richardo Jones (Manager).

MIS

Left to Right:
Isakalu Duffus (I.T. Consultant), Deryke Smith (CFO), Nekeisha Bonnick, Nicholas Fyne,
Gavin Palmer, Christopher Stephenson.

Missing:
Claudette Seballo-Myrie, Omar Morgan, John-James Campbell.

MARKETING

Left to Right:
Joan Davidson, Shanice Hamilton, Larry Johnson (Manager).

Missing: Thereece Stewart

REGISTRY

Left to Right:
Simone Baxter, Linda Miller (COO), Nadashay Lemonious, Dwayne Smith, Roxanne Lowther and Juzel Petrie.

Missing: Lorraine Broderick and Althea White

STRATEGIC PLANNING

Left to Right:
Andre Gooden (CBDO), Janet Tate.

CEO'S OFFICE

Left to Right:
Vivene Thompson,
Ambassador Aloun Ndombet-Assamba (CEO)

CENTRALIZED CREDIT UNIT

Front Row: Left to Right:
Antonette Samuels, Antoinette Lynch, Linda Miller (COO), Ramonia Brown (Actg. Credit Origination Manager).

Second Row: Left to Right:
Dianne Bolton (Manager), Renee Grant, Trevor Dixon, Denissa Newsome, Famar Edwards, Simone Case, Travis Hope.

LEGAL

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

HUMAN RESOURCE & LEARNING

Left to Right:
Khadene-Marie Fray, Dawn Gardner-Rose, Ayanna-Bibi Martin-Mclean.

Missing:
Tashoy Hayles, Drizelle McNamee.

MEMBER EXPERIENCE

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

ACCOUNTS

Front Row: Left to Right:
Jheanelle Simpson, Tamika Farquharson, Tashara Roberts, Tanique Green, Kalifa Campbell.

Second Row: Left to Right:
Savaine Gordon, Novardo Williams, Deryke Smith (CFO), Jason Leach, Owen Campbell, Aleathea Davis.

Missing:
Shenee Hope, Yashica Byroo.

DEBT MANAGEMENT UNIT

Front Row seated: Left to Right:
Renae McDonald, Ka-recia Brown, Patrice Thomas-Hinds (Manager), Tanisha Jarrett-Allen, Jasette Williams.

Back Row: Left to Right:
Julli-Ann McEwan, Ishandry Richards, Deryke Smith (CFO), Tracy-Ann Gordon-Rogers, Sheldon Gooden, Stephanie Brown, Ramon Williams, Sashalee Sang, Shemar Smart.

Missing:
Christopher Dyer, Deidre Daley.

BRANCHES

MANDEVILLE

Front Row: L-R: Lashauna McKenzie, Jennifer Thomas & Peta-Gay Bryan

Second Row: L-R: Shadai Foster, Nadine Hutchinson, Debbie James, Telsia Thompson, Colin Cotterell

Third Row: L-R: Kaydene Mitchell, Amanda Heron, Simone Reid-Windeth, Kerisha Peart

Fouth Row: L-R: Allison Gordon, Curtis Grindley, Dimitri Richards, Marlan Vickers (Manager), Feona Bennett

MONTEGO BAY

Front Row: L-R: Khalfani Stoddart-Kerr, Geraldine Rosegreen, Alecia Wynter, Diana Buchanan, Pamela Maddan

Second Row: L-R: Marlane Clarke, Omekia Beadle, Renae Ellis, Stacy-Ann Johnson, Shavele Nesbeth, Ophir Gayle-Chen, Johann Peart

Third Row: L-R: Myranda Haughton, Neil Woodstock, Kishane Bigby, Roger Shippey (Manager), Tenesha Crooks, Samora Roper.

CROSS ROADS

*Front Row: L-R:*Nicole Shim, Larissa Gordon, Cadesha Blake, Claudette McPherson, Tanesha Campbell, Romaine Layne, Tina Livingston (Manager).

Second Row: L-R: Tesia Douglas, Dionne Johnson Roberts, Mecadian Lattibeadiere, Jheanelle Simpson, Kassarine Lambert, Sharika Banks, Renae Burgess, Moya Lewis.

*Third Row: L-R:*Molly McGann, Lorraine Reid, Odette Johnson, David Duval, Talia Smith, Glenesa Solomon, Anneta Mattocks, Anthoy Fagan, Rashied McKenzie

*Fourth Row: L-R:*Othneil Bailey, Kimone Brown, Jermaine Brown, Nicholas Williams, Aszzett Williams.

MICRO

Front Row: L-R: Shadai Foster, Rusheda Hall, Marisa Williams, Shantiel Passley, Collett Thomas, Daneilla Guscott, Candice Mendez.

Second Row: L-R: Jheanelle Simpson, Simone Wint, Lisa Dennis, Kerisha Peart, Khadra Brooks.

Third Row: L-R: Petal Goodhall, Patricia Forrester, Akelia Douglas, Shellika Duncan, Christina Currie, Christopher Thomas, Claud Sawyers (Manager).

Fourth Row: L-R: Mario Frank, Kamari Brown, Keisha Bird, Khadrian Smallwood, Feona Bennett, Sadieka Green.

Fifth Row: L-R: Geraldine Sinclair, Jahmoy Morgan, Curven Whyte, Andrew Carter, Julane Daley.

Missing: Joel Harris, Indra Williams, Jodi-Ann Oliver.

PORTMORE

Front Row: L-R: Venice Griffiths, Sasha Allan, Rashae Goldsmith, Paula Satchell, Morris Livingston (Manager).

Second Row: L-R: Winsome Irving, Camian Williams, Keshia Simpson, Antonette Irving-Chambers, Santana Clayton, Devine Gayle

Third Row: L-R: Patricia Jones, Jacqueline Goolgar-Bailey, Adenike Morris, Alicia Marriott, Sobrina Foster, Toni-Ann Francis, Jessica Laing

Fourth Row: L-R: Kymani Wilson, Kimberly Swaby, Joel Harris, Taferael Fowler

HALF WAY TREE

Front Row: L-R: Roger Lim-Sang, Saphia Johnson, Kaydian Malcolm, Peta-Gaye Watson, Monique Levy.

Second Row: L-R: Racquel Williams, Lemeish Miller, Jessica, Daniel Spencer, Monique Baxter, Venese Wright, Marie Robinson.

Third Row: L-R: Ineeka Anderson, Peter Downey, Shelly-Ann Wint, Leonie Forbes, Nadine Chin

Fourth Row: L-R: Rajae Allen, Rasheve Deans, Jena Wilson, Oral Sewell (Manager), Troy Powell.

COK SODALITY ACTIVITIES/ CORPORATE CITIZENSHIP 2018


COK
COK SODALITY CO-OPERATIVE CREDIT UNION LTD.
Invest in your future today!
10355
DATE: Feb 1 2018
PAY TO THE ORDER OF C.D.A. / Walker's Place Of Safety
THE SUM OF One Hundred & Fifty Thousand DOLLARS ($150,000.00)
10355..002 01425..14
NOT NEGOTIABLE

1


SLIPE PEN ROAD
COMPREHENSIVE HEALTH CENTRE
DIRECTORY – OPENING HOURS 8AM – 4PM
CUSTOMER SERVICE
MEDICAL RECORDS
PHARMACY
LABORATORY
SECTION 5
INTERNATIONAL VACCINE
MATERNAL AND CHILD HEALTH CARE
CHILD GUIDANCE
ADMINISTRATIVE BLOCK
GENERAL ADMINISTRATIVE OFFICE
MEDICAL RESEARCH CLINIC

2


FINANCIAL

3

4


COK
Invest in your future today!

5

1. CDA / WALKER'S PLACE OF SAFETY PRESENTATION
2. PRESENTATION AT THE COMPREHENSIVE HEALTH CENTRE LABOUR DAY
3. REALITY FAIR PARTICIPANTS
4. MANDEVILLE BRANCH LABOUR DAY PROJECT
5. SCHOLARSHIP AWARDS RECIPIENTS
6. COMPREHENSIVE HEALTH CENTRE LABOUR DAY PROJECT
7. MEMBERS' BINGO
8. HEALTH AND BACK TO SCHOOL FAIR
9. HEALTH AND BACK TO SCHOOL FAIR
10. SCHOLARSHIP AWARDS RECIPIENTS
11. MONTEGO BAY BRANCH LABOUR DAY PROJECT

MAJOR MILESTONES

Jamaica Chamber of Commerce Award Winner for the Best in Chamber Medium sized category, for the year 2017

COK / IDB-Eco Micro Agreement Signing

Above: *COK Sodality / Bill Express Agreement Signing.*

Below: *COK Sodality / Smart Solution Core Banking System Signing Ceremony*

CREDIT COMMITTEE REPORT

TO THE 52ND ANNUAL GENERAL MEETING

Seated : Left – Right:
Jacqueline Lloyd-Carter, Vivian Daley (Chair).

Standing: Left – Right:
Andral Shirley, Rohan Townsend, Annette Crawford-Sykes and Errol Beckford.

INTRODUCTION

The Credit Union Sector experienced further contractions from twenty-eight to twenty-six credit unions, as a result of mergers. Based on Bank of Jamaica's expectations as it relates to balance sheet and efficiency realities, more mergers are expected.

The deposit taking institutions (DTI) remained at eleven with the top five accounting for 80% of the net profit of $50.4 billion. Net interest income from this group increased by $3.6 billion and non-interest income stood at $23.1 billion. This, is the type of performance for which the Credit Union should aspire.

The macroeconomic environment was favorable for lending in 2018. Interest rates trended downwards for most of the year resulting in single digit rates, primarily for secured loans. This had the desired impact of stimulating aggregate demand for loans which was reflected in net loan growth of $8.14 billion being advanced by the Credit Union movement for the year. This reflected a decrease of 11.4% compared to 12.3% for 2017. The inflation rate exhibited a declining trend and ended the year at 2.4%.

This however was compromised by the foreign exchange rate which showed much instability throughout the year having peaked at US$1=J$137 in August 2018 and thereafter showing a revaluation to US$1=J128.5 by year end. While both of these factors served to impact the purchasing power of consumers in opposite ways, there was no apparent impact on credit demand.

It was against this background that COK delivered its highest performance yet with respect to loan disbursements with a record amount of $4.03B. This performance was a consequence of direct and strategic marketing and promotions throughout the year and a deliberate attempt to tailor products to meet the members' changing needs. We are conscious of the need to redouble our efforts to book new and better loans and in the process, have sought to purchase a software that will lead to more effective and efficient processing of loans.

DEVELOPMENTS & CHALLENGES

It is widely expected that the Central Bank (BOJ) will assume regulatory responsibilities for the movement in 2019, and with it will come new conditionalities and prudential ratios that will affect our lending operations. Already, the implications of the new accounting rules IFRS 9, have impacted our operations which can only be recouped with bold new initiatives in lending safely and recovering from our delinquent members.

The past year saw annual growth of 1.7% with GDP falling to 96% and the Jamaican dollar depreciating by 2.2% against a 2.7% appreciation in 2017. Unemployment fell to a historical low of 9.2% relative to 11.7% in 2017.

Changes will be coming to the financial system as the government moves towards an independent Central Bank, introduce an inflation targeting system, tie all interest rates to treasury bill rates and introduce legislation to license both credit unions and micro credit institutions.

These will have an impact on our business and we therefore need to join the other institutions in their lobbying efforts even while we market our varied products that are designed to help you, our members, create wealth and lead productive lives.

The delinquency rate on the loan portfolio of 8.9% for 2018 represents a deterioration over the previous year of 8.15% Experts are predicting a further erosion as interest rates fall, competition heightens and institutions scramble for customers (Table 1). Our job as owners and members is to assist in growing the membership so that we can deploy our surplus funds safely.

Last year we alluded to the risk/reward system of pricing our loan, and we commend the management for seeking to introduce the Risked Based Lending software in a bid to cauterize our bad and doubtful debts and make safer loans. This is in addition to some sweeping changes in our debt collection strategies.

THE IMPACT OF NEW GOVERNMENT INITIATIVES

By all accounts, the new government initiatives are growth centered and should assist in growing our loan book.

Real estate transactions have been gifted a 3% reduction of transfer tax from 5% to 2% on stamp duty from ad valorem to a flat fee of $5,000.00, while NHT borrowing figures have increased to $6.5 million with a reduction of 1% in borrowing rates. These are all geared to get you, our members, into your new homes and we stand ready to assist.

We are in the process of redesigning our mortgage and other portfolios to take advantage of these initiatives while maintaining good prudential ratios, since the introduction of Basel 3 this year will seek to stress test the financial system's ability to withstand certain liquidity shocks going forward.

REVIEWS (For Period Ending December 2018)

Table 1

SUMMARY	VALUE	NUMBER OF ACCOUNTS
Total Retail Loans	JA$621,058,662.60	69
Total Micro Loans	JA$25,199,000.00	13
Total Reviews	JA$646,257,662.82	82

During the year, 82 accounts were reviewed with an aggregate total of $646,257,662.82 and these included loans under the micro window which were being reviewed for the first time. Overall, there is a good measure of compliance with the retail loans except for payment of the monthly share savings, renewal of life and asset insurance and presentation of updated financial information for assessment. We are imploring the members to ensure that information requested are submitted on a timely basis.

CREDIT PERFORMANCE

Table 2 Showing Loan Disbursements for the Comparative 3 Years To December 2018

AS AT	BUDGET TO DATE	ACTUAL TO DATE	% ACHIEVED TO DATE	YEAR OVER YEAR COMPARISON
Dec-18	3,763,000,000	4,030,719,000	107.11%	25.30%
Dec-17	2,552,523,000	3,215,578,000	125.98%	35.1%
Dec-16	2,939,282,500	2,379,936,400	80.97%	-

Table 3 showing Loan disbursement by product

PRODUCT	YTD BUDGET	YTD ACTUAL	% OF TARGET
MORTGAGE	25,500,000	42,060,683	164.9%
MOTOR VEHICLE	1,028,413,000	1,381,749,448	134.4%
MICRO LOANS	784,400,000	953,241,446	121.5%
STAFF LOANS	65,150,000	75,775,904	116.3%
LOANS WITHIN DEPOSITS	450,028,000	365,307,343	81.2%
LOANS WITHIN SHARES	649,330,000	511,657,809	78.8%
PAY DAY LOAN	64,667,000	49,824,646	77.0%
FAST	163,398,000	101,986,293	62.4%
COK DEBT CON PLUS	24,000,000	12,868,160	53.6%
HOME EQUITY LOANS	364,741,000	180,897,128	49.6%
HOME EQUITY PLUS LOANS	73,921,000	28,843,160	39.0%
SCHOLAR PLUS	45,452,000	17,286,360	38.0%
SCHOLAR	12,000,000	3,280,000	27.3%
SPECIAL EDUCATION	12,000,000	2,189,048	18.2%
OTHER	-	303,751,575	-
TOTAL	**3,763,000,000**	**4,030,719,000**	**107.6%**

Once again, the credit department met and surpassed the targets given and they are to be commended. This was achieved in the face of intense competition in the financial market and you, our loyal members are to be applauded.

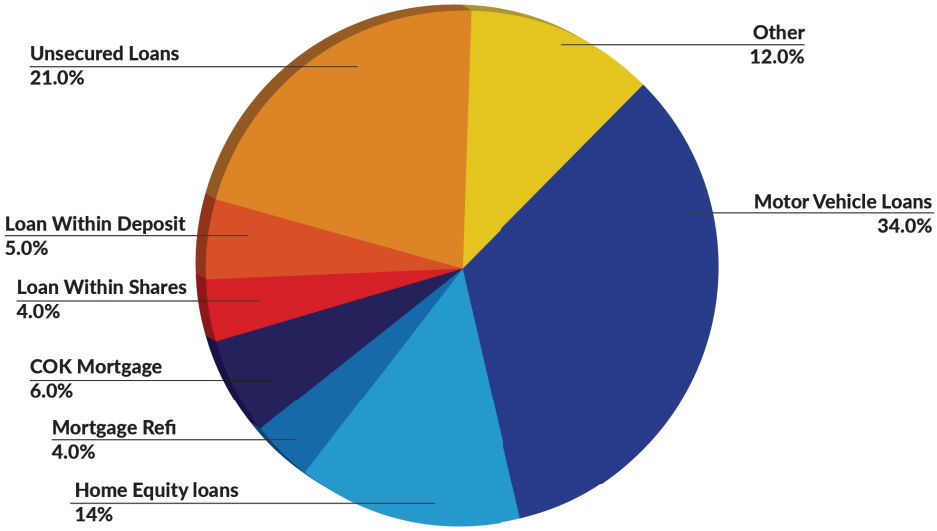
LOAN PORTFOLIO CONCENTRATION

The total loan portfolio stood at $7,859B as at reporting date and seven loan products dominated the loan portfolio as shown below.

Table 4

LOAN PRODUCTS	TOTALS PER LOAN TYPE	% OF PORTFOLIO
MOTOR VEHICLE LOANS	2,643,155,830	33.50%
HOME EQUITY LOANS	1,095,045,185	13.88%
MORTGAGE REFI	322,478,364	4.09%
COK MORTGAGE	482,889,561	6.12%
LOANS WITHIN SHARES	320,836,332	4.07%
LOANS WITHIN DEPOSITS	419,323,865	5.31%
UNSECURED LOANS	1,652,655,414	20.95%
OTHER	922,715,449	12.08%
	7,859,100,000	**100%**

Points scored



The diagram above shows a concentration in motor vehicle loans. While this is a viable product, our new marketing efforts must focus on maximizing growth in other products such as Home Equity and mortgage loans and cash backed loans.

It is reported that substantial development in the tourism sector will boost room count this year and beyond, and growth continues in the Business Process Outsourcing and mining sectors in areas where we are represented.

New business opportunities are emerging in the areas where special economic zones are being planned via the Alpart development with Chinese owners, the Caymanas lands, a new city at Bernard Lodge and agriculture parks on the lands at Holland in St Elizabeth and Hampden in Trelawny.

Our branch management will be encouraged to start planning for these emerging business opportunities.

ACHIEVEMENTS OF THE CENTRALIZED CREDIT UNIT

Since its formation in February 2015, the unit has been responsible for major improvements in efficiency in the loan process and has contributed largely to an improvement in the quality of loans being disbursed. Further efficiencies from the Unit are expected when the Loan Origination Software is implemented, which will significantly reduce the loan processing time due to the high level of automation. The major achievements for 2018 are summarized as follows:

1. Training of credit staff in loan processing and security documentation
2. Expanding the Independent Sales Representative (ISR) group thus creating increased awareness and business development opportunities
3. Enhanced a number of loan products to improve market appeal (for example revamping of the unsecured products and other motor vehicle promotions).
4. Update of the credit risk rating module to facilitate the implementation of IFRS 9 accounting standard
5. Streamlining of critical aspects of our security documentation processes resulting in improved turnaround time

CREDIT COMMITTEE MEETINGS

There were 18 meetings held up to the period ending December 31, 2018 and attendance was generally good, with apologies being tendered in instances of absence. Committee members were rostered to attend Board, Finance & Planning, Debt Management, ICT, Audit Risk & Compliance, and Micro Oversight meetings to aid in the deliberations.

COMMITTEE MEMBERS

- Vivian Daley — Chairman
- Jacqueline LLoyd-Carter — Secretary
- Errol Beckford — (replaced Patrick Galbraith)
- Andral Shirley
- Rohan Townsend
- Annette Crawford-Sykes

ACKNOWLEDGEMENTS

The committee thanks the Board of Directors for their continued guidance, the management and staff for their stewardship and you the members for the confidence reposed in us.

CONCLUSION

The management's response to the stimulus package to project a loan disbursement target of 22% for the ensuing year is indeed visionary and has our full support.

The Board's approval for reorganization of approval limits across the decision making structure and the provision of increased training opportunities will ensure more efficient rendering of decisions.

We ask you the members to lend your support with friends, family and associates.

Vivian Daley

SUPERVISORY COMMITTEE REPORT

TO THE 52ND ANNUAL GENERAL MEETING

Seated :Left – Right: Herma Walker, William Graham (Chair)
Standing: Left – Right: Karen Adair James Wood, Kenneil Blake, Phillip Anderson.

INTRODUCTION

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 member complaints and conducts other necessary 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 51st Annual General Meeting held on the 9th day of May, 2018 served in the following capacities:

MESDAMES:		MESSRS:	
Herma Walker	Member	William Graham	Chairman
Phillipa Edwards[1]	Member	Kenneil Blake	Secretary
Dianne Edwards	Member	Shridath Brown	Member
		James Wood	Member

* Phillip Anderson (*October – Present*) [2]
* Karen Adair (January – Present) [3]

ROLE AND RESPONSIBILITIES

The Supervisory Committee's mandate is to conduct continuous evaluations of the extent to which the Management and Staff undertake their respective functions in accordance with the policies and rules as laid down by the Board of Directors, and the Co-operative Societies Act. The findings there from and resulting recommendations are submitted at the Board of Directors' meeting for their attention.

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

AREAS OF FOCUS

- Micro Review
- Centralised Services Review
- Branch Audit
- Bank Reconciliation
- Staff Loan Review
- Branch Visits
- Meeting Allowance Review
- Proceeds of Crime / Anti Money Laundering Review
- Special Investigation/Management Request
- Implementation Status of Audit Recommendation (ISOAR)

[1]Phillippa Edwards resigned in December 2018
[2] Phillip Anderson replaced Shridath Brown who resigned
[3]Karen Adair replaced Dianne Edwards who resigned

OTHER INVOLVEMENTS/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 done with the members' interest at heart.

Careful execution of the planned audits resulted in heightened consciousness and appreciation of the policies and rules. This led to improvements being reflected in the internal control environment of the organization. Also, with the identification of some risks, management was able to employ necessary risk management and mitigation strategies.

BRANCH VISITS

Critical to the year under review was the Supervisory Committee's visit to a number of branches. This served to heighten compliance to policies, rules and other accountabilities, as well as strengthen our knowledge and decision making capacity.

For the year under review, the following branches were visited:

- Portmore
- Cross Roads
- Montego Bay

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

ATTENDANCE AT MEETINGS

The Supervisory Committee convened nineteen (19) meetings for the year under review, where attendance averaged over 73% for all members. Acceptable explanations were provided in instances where persons were not able to attend meetings.

CHALLENGES

Our commitment as the Supervisory Committee to ensure adherence to policies, rules and general accountability framework at all levels of the Credit Union's operation came with some challenges. The most significant among the challenges experienced was the time consuming nature of audit investigations due to the Credit Unions highly-manual system of internal control.

SUGGESTION BOX

The Committee prepared quarterly report from members' suggestions, concerns and complaints which were derived from the member suggestion forms.

We would like to highlight the efforts of our members who gave regular feedback regarding the organization's service delivery. We further implore our members to make regular and sustained usage of 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 for their unwavering support to this Committee.

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 52nd year of sterling contribution to Jamaica, be reminded 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 drive to remain a leader in the financial space, and gives this Committee the motivation to work selflessly to ensure integrity and accountability at all levels.

We can assure you the members 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 before self. Let us all continue, unswerving in our commitment to work in unity.

May God Continue to Bless Us!

William Graham

NOMINATING COMMITTEE REPORT

TO THE 52ND ANNUAL GENERAL MEETING

The members of the Nominating Committee were:

Miss Vinnate Hall
Director and Chairman

Mr. Garth O'Sullivan
Member

Bishop Burchell McPherson
Member

Ambassador Aloun Ndombet-Assamba
CEO and Ex-Officio

Miss Roshene Betton
Staff Liaison/Legal Counsel

Miss Merril Tomlinson
Staff Liaison/Administrative Support

Left -Right: Garth O'Sullivan, CEO and Ex-officio member Ambassador Aloun Ndombet-Assamba, Bishop Burchell McPherson, and Staff Liaison/Legal Counsel Roshene Betton.
Missing: Director & Chairman Ms. Vinnate Hall and Staff Liaison/Administrative support Ms. Merril Tomlinson.

The Mandate of the Committee is to act within the framework of the Rules of COK Sodality Co-operative Credit Union Limited as per Article XIII, Rule 64. "The Board of Directors shall appoint a Nominating Committee which shall consist of three (3) members, one of whom will be a Board member who shall be the Chairman of the Committee".

In accordance with the Rules, the Nominating Committee held its first meeting on December 20, 2019 and another on March 14, 2019. The committee held its final meeting on April 9, 2019.

The Nominating Committee Published Notices in the Gleaner on Sunday, January 20, 2019 and in all five (5) branches of COK Sodality on Monday, January 21, 2019 inviting members to submit nominations to fill the existing vacancies on the Board, Supervisory Committee and Credit Committee. The Nomination Package containing the Petition and supporting documents were also made available to members on that day within the branches and on COK Sodality's website. Only one Nomination was received.

The criteria for nomination also included the following:

- 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 33 (A) (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 eleven (11) all of whom shall be members of the Credit Union in good standing, over eighteen (18) years of age and able to satisfy the "fit and proper" requirements of the Regulators". The number of the Board of Directors shall at all times be an uneven number. Each member shall be eligible for re-election in keeping with Rule 52(ii)".

RETIRING	RECOMMENDED	TERM IN OFFICE
Mr. Irwin Errol Gregory	Mr. Irwin Gregory KLAS Sports Radio 17 Haining Road Kingston 5	1 Year
Mr. Ewan Shaw	Mr. Ewan Shaw Senior Lecturer University of Technology, Jamaica 237 Old Hope Road Kingston 7	2 Years
Mr. Maurice Lewin	Mr. Maurice Lewin Chief Human Resource Officer University of Technology 237 Old Hope Road Kingston 7	2 Years
Ms. Carol Anglin	Ms. Carol Anglin Management Consultant Ebony Business Printers 25 Eastwood Park Road Kingston 10	2 Years
Mrs. Maureen Dwyer	Mrs. Maureen Dwyer Chief Executive Officer Ministry of Education 2 St Lucia Avenue Kingston 10	2 Years
Mrs. Sharon Usim	Mrs. Sharon Usim Attorney-at-Law Usim, Williams & Co 5 Duke Street Kingston	2 Years

One vacancy was created on the Board during the year due to the resignation of Mrs. Debbie-Ann Gordon-Crawford who was replaced by Mr. Irwin Errol Gregory.

SUPERVISORY COMMITTEE

ARTICLE X, RULE 48 (I) (II) (III)

"The Supervisory Committee shall consist of not less than three (3) members and not more than nine (9) members, none of whom shall be members of the Board of Directors or Credit Committee or Loan Officer or employee, and all of whom shall be members of the Society in good standing and over eighteen (18) years old".

"No member 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 Meetings or one (1) year whichever is earlier".

RETIRING	RECOMMENDED	TERM IN OFFICE
Corporal William Graham	Mr. Enoch Allen International Seabed Authority 14-20 Port Royal Street Kingston	1 Year
Mr. Kenneil Blake	Mr. Kenneil Blake Department of Academic Studies National Police College of Jamaica Twickenham Park St Catherine	1 Year
Mr. James Wood	Mr. James Wood National Outdoor Advertising 21 – 25 Old Hope Road Kingston 5	1 Year
Mr. Phillip Anderson	Mr. Phillip Anderson Senior Management Consultant BDO Chartered Accountants 26 Beechwood Avenue Kingston 5	1 Year
Ms. Herma Walker	Ms. Herma Walker Audit Consultant 794 Cedar Grove Boulevard Cedar Grove Estate Gregory Park P.O. St Catherine	1 Year
Dr. Karen Adair	Dr. Karen Adair Senior Lecturer Caribbean Maritime University Norman Manley Highway Port Royal	1 Year
Mr. Shridath Brown	Ms. Beverley Vaughan Part-Time Auditor c/o Shortwood Teachers College 77 Shortwood Road Kingston 8	1 Year

Dr. Karen Adair was invited to join the committee to replace Ms. Dianne Edwards who had resigned.

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 (18) or over and shall be in good standing with the Society. 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 service on any Committee for a period between Annual General Meetings or one (1) year whichever is earlier".

RETIRING	RECOMMENDED	TERM IN OFFICE
Mr. Errol Beckford	Mr. Errol Beckford Industrial Dispute Resolution 4 Ellesmere Road Kingston 10	2 Years
Mr. Patrick Galbraith	Ms. Catherine Gregory Director Finance & Budget Manpower & Maintenance Services 1 Eureka Road Kingston 5	2 Years
Mrs. Jacqueline Lloyd-Carter	Ms. Donna Griffiths-Pommells Regional Telephone Sales Manager Global Directories 48 Constant Spring Road Kingston 8	2 Years

Mr. Errol Beckford was appointed to the committee to replace Mr. Irwin Errol Gregory who was appointed to the Board.

JAMAICA CO-OPERATIVE CREDIT UNION LEAGUE LIMITED

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. Clive Medwynter	Mr. Clive Medwynter	1 Year
Ms. Carol Anglin	Ms. Carol Anglin	1 Year

JAMAICA FISHERMEN'S CO-OPERATIVE UNION LIMITED

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 LIMITED

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 Limited.

Vinnate Hall (Ms)
For and on Behalf of the Nominating Committee

DELEGATES' REPORT

OF 77TH CONVENTION & ANNUAL GENERAL MEETING OF THE JAMAICA CO-OPERATIVE CREDIT UNION LEAGUE

The Convention & legally constituted 77th annual general meeting of the Jamaica Co-operative Credit Union League was held from May 17-20, 2018 at the Hilton Rose Hall Hotel & Spa in Montego Bay. Approximately one hundred and forty (140) delegates, alternate delegates and observers attended the weekend Conference. The schedule of activities included a trade show, reception, workshops, banquet, the annual general meeting and an ecumenical service.

THURSDAY, MAY 17

The following activities took place:

- The Credit Union Managers' Association annual general meeting.
- An afternoon workshop presented by Mr. Donovan Gayle, CEO of DHL Jamaica who presented on "Workplace Wellness and the impact on productivity."

FRIDAY MAY 18

Friday's activities got off to a good start with the official opening, with guest the Honourable Bishop Conrod Peterkin, Custos of St. James, officially opening the conference which later segued into the plenary session.

Topics discussed: Matters of critical importance to the Movement's future.

The two workshops held on Friday afternoon were titled:

- "Competing in the new IFRS9 Environment and "Facing the Reality of a new Paradigm." It was the second year that focus was given to the issues surrounding the IFRS 9.
- "Risk Here, Risk There, Risk Everywhere: Get in the Know: Manage your Risks."

Three presenters brought home the issues and helped the participants to dissect various risks. Presenters were Ms. Stephanie Williams, Attorney At Law from Henlin Gibson Henlin, Attorneys at Law; who opened the issues relating to the Data Protection Act; Mr. Robert Finzi Smith, Security Expert, and Former Army Officer who dealt with the issue of personal safety and Sgt. Kevin Watson, Digital Forensic Examiner and Cybersecurity Specialist and Cybercrimes Investigator who delved into the topic" The War on Cybercrimes."

The annual awards dinner ended Friday's activities. Guest speaker at this event was Hon. Audley Shaw, Minister of Industry, Commerce, Agriculture & Fisheries. Master of Ceremonies was Mr. Dervan Malcolm, radio broadcaster. Several awards were presented at the event.

ANNUAL GENERAL MEETING

The 77th Annual General Meeting was held on May 27, 2018. Delegates from twenty-five (25) Credit Unions attended the meeting.

President Mr. Winston Fletcher, chaired the meeting. He welcomed the participants and then gave a summary of the Board report for the year 2017. All other reports including that from the Treasurer, the Supervisory and Nominating Committees, as well as the Audited Financial Report were presented.

Distribution of Surplus

There was no Surplus for distribution and the Treasurer explained this to the participants.

Delegates voted for the Maximum Liability of the League to be set at $5 billion.

ELECTION OF OFFICERS

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

- Mr. Norris Gilbert- PWD Credit Union
- Mr. Anthony Young- Palisadoes Credit Union
- Mr. Clide Nesbeth – EduCom Credit Union
- Mr. O'Neil Grant - FHC Credit Union
- Mr. Lambert Johnson –Gateway Credit Union
- Mr. Ryan Muir – Lascelles Credit Union

For the Supervisory Committee the following persons were elected:

- Mrs. Tamara Baugh-Brissett – EduCom Credit Union
- Mr. Michael Sutherland – C&WJ Credit Union
- Mrs. Ivy Lawrence - Lascelles Credit Union
- Ms. Nicola Reid – Palisadoes Credit Union
- Mr. Delroy James - First Heritage Credit Union

RULE CHANGES

There were no rule changes.

NEW EXECUTIVE

Following the AGM the executive was elected to serve on the League Board for the 2018-2019 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
- Michael Anglin
- Carol Anglin
- Brenda Cuthbert
- Pete Smith
- Ryan Muir

The conference ended officially on Sunday May 20 with an Ecumenical Church Service.

The COK Sodality Delegates and Alternate Delegates in attendance at the AGM were Mr. Steadman Pitterson, Mr. Clive Medwynter, Ms. Carol Anglin and the Chief Executive Officer, Ambassador Aloun Ndombet-Assamba. Mr Andre Gooden, Chief Business Development Officer was also in attendance as an Observer.

Yours co-operatively,

Steadman Pitterson
Delegate

DELEGATES' REPORT

TO THE ANNUAL GENERAL MEETING OF THE JAMAICA FISHERMEN'S CO-OPERATIVE UNION LTD., HELD AT THE KNUTSFORD COURT HOTEL, APRIL 2, 2019

The Annual General Meeting of the Jamaica Fishermen Co-operative Union (JFCU) was held on April 2, 2019 at the Knutsford Court Hotel, 16 Chelsea Avenue, Kingston 5. COK Sodality was represented by Delegates Mr. Michael Burke and Mr. Neville Rhone. An apology was tendered on behalf of CEO, Ambassador Aloun Ndombet-Assamba who had a prior engagement.

The meeting commenced late, but moved rapidly thereafter. Mr. Courtney Cole, Chief Executive Director (Special Project) in the Ministry of Industry, Commerce, Agriculture & Fisheries was the Guest Speaker. He discussed among other things, the rationale for the closed season for Queen Crabs and Lobster. He indicated that the Government was instituting a raft of measures to eliminate poaching.

The Co-operative, with the assistance of the National Union of Co-operative Societies and the National Development Bank of Jamaica implemented a one year project, the objectives of which are to:

(a) To improve the levels of governance.
(b) To provide guidance in the management of their Human Resources.

Included in the project was the development of:

(1) Three year strategic plan.
(2) Business plan.
(3 Human Resources Review.
(4) Financing.

The JFCU member Societies and individuals benefited. The total value of the project was $5,529,548, of which the Fishermen Union contributed 20% of the funding.

In spite of the many challenges, the JFCU continues to do well and realized a net surplus of:

- $5,947,592 (2017 – 2018)
- $5,942,764 (2016 – 2017)

The loss reported in the last financial period, caused by the revaluation of the Pension Fund, has been reversed.

Inventories increased from $58M in 1916 – 1917 to $77M, a 33% increase. Approximately $15M in stock was received just before the end of the financial year. The overall Society's growth increased to 19.4%, thereby making total assets of $120M.

The Nominating Committee's Report was accepted as follows:

BOARD OF DIRECTORS

- Yvonne Sett
  Half Moon Bay Fishermen Co-operative Union
- Milton Salmon
  Gillings Gully Fishermen Co-operative Union
- Sandra McLeod
  Old Harbour Bay Fishermen Co-operative Union

SUPERVISORY COMMITTEE

- Paulette Coley
  Old Harbour Bay Fishermen Co-operative Union
- Nadine Earle
  Alloa Fishermen Co-operative Union
- Ruben Kelly
  Correctional Services Co-operative Union

DELEGATES TO N.U.C.S.

- Glaston White
  Half Moon Bay Fishermen Co-operative
- Michael Burke
  COK Sodality Co-operative Credit Union
- The Manager
  Jamaica Fishermen Co-operative Union Limited
- Anthony Drysdale
  Jamaica Fishermen Co-operative Union Limited

The National Fisheries Act will be implemented soon. Consideration is being given to the amalgamation of Primary Societies, to maximize managerial competence.

The recommendations for the distribution of surplus were accepted by the members.

On behalf of the Delegates

Neville Rhone
Delegate

EDUCATION COMMITTEE REPORT

The Education Committee, a sub-committee of the Board, operates in line with one of COKCU"s guiding philosophies which is to support the educational development of its members as well as members of staff. As such, the committee has responsibilities among other things:

- Supporting 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 2018 were:

- Mr. Michael Martin
  Chairman
- Mrs. Maureen Dwyer
  Deputy Chairman
- Mrs. Norma Chambers
  Committee Member
- Mrs. Marcia Detry-Fogah
  Committee Member
- Mr. Basil Lue
  Committee Member
- Mrs. Enid Bonfield
  Committee Member
- Mrs. Marsha Cole-Hart
  HR&L Manager
- Mr. Larry Johnson
  Marketing Manager
- Mr. Peter Downey
  UCASE Union Representative
- Mrs. Dawn Gardner-Rose
  Asst. HR&L Manager
- Mrs. Ayanna-Bibi Martin - *McLean*
  Snr. HR&L Officer
- Ms. Shellika Duncan
  NWU Union Representative

During 2018, the Committee convened three (3) meetings under the leadership of the Deputy Chairperson, Mrs. Maureen Dwyer. These meetings were arranged to review applications and determine the scholarship awardees as well as to plan an award ceremony to formally hand over the scholarship grants to each awardee. The Committee awarded a total of 28 scholarships valuing $720,000.00.

THE BERTIE MORRIS SCHOLARSHIP

This Scholarship is open to children of COK employees with a minimum of two (2) years' permanent employment. There are seventeen (17) scholarships allocated for staff; fifteen (15) for permanent staff and two (2) for contract staff.

A total of twenty-six (26) applications were submitted, however only sixteen (16) met the required academic standards. These awards were given to children of employees under the following two categories:

Category 1: Awarded to five (5) students between 6–11 years old; enrolled in primary or private preparatory schools and maintaining averages of 80% or higher.

Category 2: Awarded to eleven (11) students between 11-18 years old and enrolled in secondary or high schools 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.

Six (6) existing students under this programme in their fourth and fifth years received funding for 2018; whilst three (3) new applicants were awarded scholarships for 2018.

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.

This Scholarship was awarded to one successful applicant for the 2018/2019 academic year.

THE PAUL CHEVANNES SCHOLARSHIP

This scholarship is open to the general membership for students between ages 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.

There were no applications submitted for the 2018/ 2019 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 extracurricular activities and is in need of financial assistance. One student benefited under this programme for 2017.

This Scholarship was awarded to two (2) successful applicants for the 2018/2019 academic year.

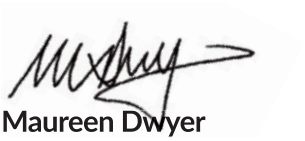
In keeping with its mandate, the Education Committee continues to address and support COK Sodality's education demands. It also seeks to encourage scholarship awardees to continue to strive for academic excellence and it was with this in mind that the committee decided to host a short award ceremony for the awardees. Each awardee was given a COK gift package, the scholarship cheque and treated to light refreshment.

THANKS

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

On behalf of the Education Committee

Yours co-operatively,



Maureen Dwyer
Deputy Chairman

FINANCIAL STATEMENTS

DECEMBER 31, 2018

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 Co-operative and the consolidated financial statements of the Co-operative and its subsidiary (collectively "the Group") set out on pages 4 to 74, which comprise the Group's and Co-operative's statements of financial position as at December 31, 2018, 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, 2018, 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.

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

R. Tarun Handa
Cynthia L. Lawrence
Rajan Trehan
Norman O. Rainford
Nigel R. Chambers
Nyssa A. Johnson
W. Gihan C. de Mel
Wilbert A. Spence
Rochelle N. Stephenson
Sandra A. Edwards

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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 (continued)

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 (CONTINUED)

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 (continued)

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 Co-operative'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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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 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 12, 2019

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

Group Statement of Financial Position
December 31, 2018
(Expressed in Jamaica dollars unless otherwise stated)

	Note	2018 $`000	2017 $`000
ASSETS			
Earning assets:			
Loans to members	5	7,235,701	6,346,756
Liquid assets	6	781,961	1,631,279
Financial investments	7	731,502	412,397
Total earning assets		8,749,164	8,390,432
Non-earning assets:			
Liquid assets	8	137,822	160,065
Other assets	9	397,849	281,775
Employee benefits asset	10(a)	101,986	119,243
Property, plant and equipment	11	610,499	219,271
Intangible asset	12	24,739	30,567
Investment in associate	13(b)	14,986	12,626
Total non-earning assets		1,287,881	823,547
TOTAL ASSETS		10,037,045	9,213,979
LIABILITIES			
Interest bearing liabilities:			
Savings deposits	14	5,576,465	5,111,267
Voluntary shares	15	2,824,020	2,664,015
Deferred shares	16	500,000	500,000
External credits	17	28,535	24,397
Total interest-bearing liabilities		8,929,020	8,299,679
Non-interest bearing liabilities:			
Payables and accruals	18	264,336	270,642
Other liabilities	19	123,326	78,332
Total non-interest bearing liabilities		387,662	348,974
Total liabilities		9,316,682	8,648,653
EQUITY			
Permanent shares	20	594,886	564,953
Non-institutional capital	21(a)	(922,714)	(624,264)
Institutional capital	21(b)	500,072	489,707
Other reserves	22	446,133	15,687
Pension reserve	23	101,986	119,243
Total equity		720,363	565,326
TOTAL LIABILITIES AND EQUITY		10,037,045	9,213,979

The financial statements on pages 4 to 74 were approved for issue by the Board of Directors on April 12, 2019 and signed on its behalf by:

S. Pitterson, President

E. Shaw, Treasurer

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

Co-operative Statement of Financial Position
December 31, 2018
(Expressed in Jamaica dollars unless otherwise stated)

	Note	2018 $`000	2017 $`000
ASSETS			
Earning assets:			
Loans to members	5	7,235,701	6,346,756
Liquid assets	6	781,961	1,631,279
Financial investments	7	731,502	412,397
Total earning assets		8,749,164	8,390,432
Non-earning assets:			
Liquid assets	8	135,783	158,019
Other assets	9	412,715	296,640
Employee benefits asset	10(a)	101,986	119,243
Property, plant and equipment	11	610,499	219,271
Intangible asset	12	24,739	30,567
Investment in subsidiary	13(a)	1,000	1,000
Investment in associate	13(b)	21,726	21,726
Total non-earning assets		1,308,448	846,466
TOTAL ASSETS		10,057,612	9,236,898
LIABILITIES			
Interest bearing liabilities:			
Savings deposits	14	5,576,465	5,111,267
Voluntary shares	15	2,824,020	2,664,015
Deferred shares	16	500,000	500,000
External credits	17	28,535	24,397
Total interest-bearing liabilities		8,929,020	8,299,679
Non-interest bearing liabilities:			
Payables and accruals	18	262,893	269,199
Other liabilities	19	123,326	78,332
Total non-interest bearing liabilities		386,219	347,531
Total liabilities		9,315,239	8,647,210
EQUITY			
Permanent shares	20	594,886	564,953
Non-institutional capital	21(a)	(900,704)	(599,902)
Institutional capital	21(b)	500,072	489,707
Other reserves	22	446,133	15,687
Pension reserve	23	101,986	119,243
Total equity		742,373	589,688
TOTAL LIABILITIES AND EQUITY		10,057,612	9,236,898

The financial statements on pages 4 to 74 were approved for issue by the Board of Directors on April 12, 2019 and signed on its behalf by:

S. Pitterson, President

E. Shaw, Treasurer

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

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

Statement of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2018
(Expressed in Jamaica dollars unless otherwise stated)

	Note	Group		Co-operative	
		2018	2017	2018	2017
		$`000	$`000	$`000	$`000
Interest income calculated using the effective interest method:					
Loans to members		1,035,440	962,204	1,035,440	962,204
Investments and deposits		82,971	123,110	82,971	123,110
		1,118,411	1,085,314	1,118,411	1,085,314
Interest expense:					
Members' deposits		(154,561)	(180,001)	(154,561)	(180,001)
External credits		(861)	(278)	(861)	(278)
		(155,422)	(180,279)	(155,422)	(180,279)
Net interest income		962,989	905,035	962,989	905,035
Provisions for losses:					
Loans to members	5	(156,955)	(131,607)	(156,955)	(131,607)
Interest receivables	9(iv)	-	(1,922)	-	(1,922)
Other assets	9(iv)	-	(22,682)	-	(22,682)
Net interest income after write-offs and provision for losses		806,034	748,824	806,034	748,824
Non-interest income/(expense):					
Fees		240,443	209,740	240,443	209,740
Other income	24	136,416	183,936	136,403	184,803
Dividends from equity investments		720	1,559	720	1,559
Share of profit of associate	13(b)	2,360	2,471	-	-
Other costs	25	(49,120)	(35,671)	(49,109)	(35,013)
Gross margin		1,136,853	1,110,859	1,134,491	1,109,913
Operating expenses	26	(1,088,307)	(1,043,616)	(1,088,297)	(1,042,965)
Surplus for the year		48,546	67,243	46,194	66,948
Other comprehensive (loss)/income:					
Items that will not be reclassified to profit or loss:					
Re-measurement loss on employee benefits asset [note 10(f)]		(24,105)	(13,705)	(24,105)	(13,705)
Revaluation of property, plant and equipment		380,897	-	380,897	-
Item that may not be reclassified to profit or loss:					
Change in fair value of financial asset		8,658	5,181	8,658	5,181
Total other comprehensive income /(loss)		365,450	(8,524)	365,450	(8,524)
Total comprehensive income for the year		413,996	58,719	411,644	58,424

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, 2018
(Expressed in Jamaica dollars unless otherwise stated)

Group

	Permanent shares $`000	Non-institutional capital $`000	Institutional capital $`000	Other reserves $`000	Pension reserve $`000	Total $`000
Balances at December 31, 2016	537,010	(698,756)	475,697	40,540	123,553	478,044
Total comprehensive income for the year:						
Profit for the year	-	67,243	-	-	-	67,243
Other comprehensive income	-	(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
Adjustment on initial application of IFRS 9 (note 3)	-	(330,540)	-	40,891	-	(289,649)
Restated balances at January 1, 2018	564,953	(954,804)	489,707	56,578	119,243	275,677
Total comprehensive income for the year:						
Profit for the year		48,546	-	-	-	48,546
Other comprehensive (loss)/income	-	(24,105)	-	389,555	-	365,450
Total comprehensive income for the year	-	24,441	-	389,555	-	413,996
Transactions with owners, recorded directly in equity:						
Amounts subscribed, net of refunds	29,933	-	-	-	-	29,936
Entrance fees	-	-	757	-	-	757
Movements in reserves						
Transfer from pension reserve	-	17,257	-	-	(17,257)	-
Transfer to institutional capital	-	(9,608)	9,608	-	-	-
Total transactions with owners and movements in reserves	29,933	7,649	10,365	-	(17,257)	30,693
Balances at December 31, 2018	594,886	(922,714)	500,072	446,133	101,986	720,366

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, 2018
(Expressed in Jamaica dollars unless otherwise stated)

Co-operative

	Permanent shares $`000	Non-institutional capital $`000	Institutional $`000	Other reserves $`000	Pension reserve $`000	Total $`000
Balances at December 31, 2016	537,010	(674,099)	475,697	40,540	123,553	502,701
Total comprehensive income for the year						
Profit for the year	-	66,948	-	-	-	66,948
Other comprehensive income	-	(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
Adjustment on initial application of IFRS 9	-	(330,540)	-	40,891	-	(289,649)
Restated balances at January 1, 2018	564,953	(930,442)	489,707	56,578	119,243	300,039
Total comprehensive income for the year:						
Profit for the year	-	46,194	-	-	-	46,194
Other comprehensive loss	-	(24,105)	-	389,355	-	365,450
Total comprehensive income for the year	-	22,089	-	389,355	-	411,644
Transactions with owners, recorded directly in equity:						
Amounts subscribed, net of refunds	29,933	-	-	-	-	29,933
Entrance fees	-	-	757	-	-	757
Movements in reserves						
Transfer from pension reserve	-	17,257	-	-	(17,257)	-
Transfer to institutional capital	-	(9,608)	9,608	-	-	-
Total transactions with owners and movements in reserves	29,933	7,649	10,365	-	(17,257)	30,690
Balances at December 31, 2018	594,886	(900,704)	500,072	446,133	101,986	742,373

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, 2018
(Expressed in Jamaica dollars unless otherwise stated)

Group

	Non-Institutional Capital			
	Permanent share earnings [Note 21(a)(ii)] $`000	Permanent share capital reserves [Note 21(a)] $`000	Accumulated deficit $`000	Total $`000
Balances at December 31, 2017	(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 to institutional capital	-	-	30,034	30,034
Transfer to loan loss reserve	-	-	(13,390)	(13,390)
Balances at December 31, 2017	(180,000)	3,495	(447,759)	(624,264)
Adjustment on initial application of IFRS 9	-	-	(330,540)	(330,540)
Restated balances as at January 1, 2018	(180,000)	3,495	(778,299)	(954,804)
Profit for the year	-	-	48,546	48,546
Re-measurement of employee benefits asset	-	-	(24,105)	(24,105)
Transfer to pension reserve	-	-	17,257	17,257
Transfer to statutory reserve	-	-	(9,608)	(9,608)
Balances at December 31, 2018	(180,000)	3,495	(746,209)	(922,714)
Co-operative				
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	(180,000)	3,495	(423,397)	(599,902)
Adjustment on initial application of IFRS 9	-	-	(330,540)	(330,540)
Restated balances as at January 1, 2018	(180,000)	3495	(753,937)	(930,442)
Profit for the year	-	-	46,194	46,194
Re-measurement of employee benefits asset	-	-	(24,105)	(24,105)
Transfer to pension reserve	-	-	17,257	17,257
Transfer to statutory reserve	-	-	(9,608)	(9,605)
Balances at December 31, 2018	(180,000)	3,495	(724,199)	(900,704)

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, 2018
(Expressed in Jamaica dollars unless otherwise stated)

	Group		Co-operative	
	2018	2017	2018	2017
	$`000	$`000	$`000	$`000
Cash flows from operating activities:				
Profit for the year	48,546	67,243	46,194	66,948
Adjustments for:				
Interest income	(1,118,411)	(1,085,314)	(1,118,411)	(1,085,314)
Interest expense	155,422	180,279	155,422	180,279
Depreciation and amortisation	47,877	46,556	47,877	46,556
Employee benefits asset	4,996	3,265	4,996	3,265
Dividend income	(720)	(1,559)	(720)	(1,559)
Provision for loan losses	156,955	156,211	156,955	156,211
Provision for investment losses	(1,077)	-	(1,077)	-
Gain on disposal of property, plant and equipment	-	(50)	-	(50)
Share of loss in associate	(2,360)	(2,471)	-	-
	(708,772	(635,840)	(708,764)	(633,664)
Changes in operating assets and liabilities				
Loans to members	(1,281,978)	(616,026)	(1,281,978)	(616,026)
Saving deposits	465,198	430,277	465,198	430,277
Other assets	(126,466)	(137,669)	(131,578)	(141,627)
Non-interest bearing liabilities	42,058	5,542	42,602	7,252
Voluntary shares	160,005	147,073	160,005	147,073
External credits	4,138	(11,629)	4,138	(11,629)
	(1,4445,817)	(818,272)	(1,450,377	(818,344)
Interest received	1,150,655	1,117,558	1,155,222	1,117,558
Interest paid	(151,508)	(179,734)	(151,508)	(179,734)
Net cash (used)/provided by operating activities	(446,670)	119,552	(446,663)	119,480
Cash flows from investing activities:				
Investment in debentures, shares and bonds, net	(331,240)	45,113	(331,240)	45,113
Acquisition of intangible asset	(2,847)	(17,760)	(2,847)	(17,760)
Acquisition of property, plant and equipment	(48,270)	(54,291)	(48,270)	(54,291)
Proceeds from disposal of property, plant and equipment	-	50	-	50
Pension contributions	(11,844)	(12,660)	(11,844)	(12,660)
Net cash used by investing activities	(394,201)	(39,548)	(394,201)	(39,548)
Cash flows from financing activities:				
Permanent shares	(29,933)	27,943	(29,933)	27,943
Entrance fee	(757)	620	(757)	620
Net cash (used)/provided by financing activities	(30,690)	28,563	(30,690)	28,563
Increase in liquid assets	(871,561)	108,567	(871,554)	108,495
Liquid assets at beginning of the year	1,791,344	1,682,777	1,789,298	1,680,803
Liquid assets at end of the year	919,783	1,791,344	917,744	1,789,298
Comprising:				
Liquid assets – earning	781,961	1,631,279	781,961	1,631,279
Liquid assets – non-earning	137,822	160,065	135,783	158,019
	919,783	1,791,344	917,744	1,789,298

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
Year ended December 31, 2018
(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, 2018 (the reporting date) are prepared in accordance with International Financial Reporting Standards (IFRS).

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

Standards that became effective during the year:

Certain new and amended standards came into effect during the current financial year. This is the first set of the co-operative's annual financial statements in which IFRS 9, *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers* have been applied. Changes to significant accounting policies are described in note 3.

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

- IFRS 16, *Leases*

  IFRS 16 replaces existing leases guidance, including IAS 17, *Leases*, IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, SIC-15, *Operating Leases - Incentives* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

  IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items 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.

  The group is required to adopt IFRS 16 from January 1, 2019. The group has assessed the estimated impact that initial application of IFRS 16 will have on its financial statements, as described below. The actual impact of adopting the standard on January 1, 2019 may change because the group has not finalised the testing and assessment of controls over its systems.

  Leases in which the group is a lessee

  The group has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 in the period of initial application will depend on future economic conditions, the group's assessment of whether it will exercise any lease renewal options and the extent to which the group chooses to use practical expedients and recognition exemptions.

  The group will recognise new assets and liabilities for its operating leases of office premises. The nature of expenses related to those leases will now change because the group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- IFRS 16, *Leases (continued)*

  Previously, the group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

  In addition, the group will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the group will include the payments due under the lease in its lease liability.

  The group plans to apply IFRS 16 initially on January 1, 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of accumulated surplus at January 1, 2019, with no restatement of comparative information.

  The group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

- Amendments to IFRS 9, *Financial Instruments,* effective retrospectively for annual periods beginning on or after January 1, 2019 clarifies the treatment of:

  (i) Prepayment features with negative compensation

  Financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

  (ii) Modifications to financial liabilities

  If the initial application of IFRS 9 results in a change in accounting policy arising from modified or exchanged fixed rate financial liabilities, retrospective application is required, subject to particular transitional reliefs. There is no change to the accounting for costs and fees when a liability has been modified, but not substantially. These are recognised as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- Amendment to IAS 19, *Employee Benefits* is effective for annual periods beginning on or after January 1, 2019, and specifies how an entity should determine pension expenses when there are changes to a defined benefit pension plan.

  The amendment requires an entity to use updated actuarial assumptions to determine its current service cost and net interest for the remaining period when there is an amendment, curtailment or settlement of a defined benefit plan. The effect of the net asset ceiling is disregarded when calculating the gain or loss on the settlement of the defined benefit plan and is dealt with separately in other comprehensive income.

- Amendments to *References to Conceptual Framework in IFRS Standards* is effective retrospectively for annual reporting periods beginning on or after January 1, 2020. The revised framework covers all aspects of standard setting including the objective of financial reporting.

  The main change relates to how and when assets and liabilities are recognised and derecognised in the financial statements.

  - New 'bundle of rights' approach to assets will mean that an entity may recognise a right to use an asset rather than the asset itself;
  - A liability will be recognised if an entity has no practical ability to avoid it. This may bring liabilities on balance sheet earlier than at present.
  - A new control-based approach to derecognition will allow an entity to derecognise an asset when it loses control over all or part of it; the focus will no longer be on the transfer of risks and rewards.

- Amendment to IAS 1, *Presentation of Financial Statements* and IAS 8*, Accounting Policies, Changes in Accounting Estimates and Errors* is effective for annual periods beginning on or after January 1, 2020, and provides a definition of 'material' to guide preparers of financial statements in making judgements about information to be included in financial statements.

  "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The group is assessing the impact that these new and amended standards will have on its financial statements when they are adopted.

2. Basis of preparation (continued)

(b) Basis of measurement:

The financial statements are prepared on the historical cost basis, except for the inclusion of certain investments and land and buildings at fair value. Additionally, employee 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 group. 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 $923 million (2017: $624 million) and $901 million (2017: $600 million) for the co-operative. Of these amounts, JCCUL has guaranteed an amount of up to $180 million [see note 20(a)(ii)]. Without the guarantee of $180 million, the co-operative would not have met its regulatory capital requirements [see note 35(e)].

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 22% which should increase interest income.
- Managing loan delinquency to an acceptable level of 7 % (2017: 7%).
- Reducing ratio of operating expenses to average assets to 11%.

During the year, the group and co-operative reported surplus of $48.5 million and $46.1 million respectively.

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

2. Basis of preparation (continued)

(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:

Applicable to 2018 only

(i) Classification of financial assets:

The assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding requires management to make certain judgements about its business operations.

(ii) Impairment of financial assets:

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

(iii) Impairment losses on loans to members:

In determining amounts recorded for impairment of financial assets in the financial statements, management makes assumptions in determining the inputs to be used in the ECL measurement model, including incorporation of forward-looking information. Management also estimates the likely amount of cash flows recoverable on the financial assets in determining loss given default. The use of assumptions make uncertainty inherent in such estimates

2. Basis of preparation (continued)

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

Applicable to 2018 and 2017

(iv) Employee benefits asset

The amounts recognised in the statement of financial position and statement of profit or loss and other comprehensive income for pension are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include expected long-term return on plan assets and the discount rate used to determine the present value of estimated future cash flows required to settle the pension obligations.

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

Judgement is also exercised in determining the proportionate share of the defined benefit obligation, plan assets and cost as well as the extent that the surplus or deficit in the plan may affect the future contributions for each individual employer in the plan.

3. Change in accounting policies

The group has initially applied IFRS 9, *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers,* from January 1, 2018. A number of other new standards are also effective from January 1, 2018, but they do not have a material effect on the group's financial statements.

As permitted by the transition provisions of IFRS 9, comparative information throughout these financial statements has not been restated to reflect the requirements of the standard. Any adjustments to the carrying amounts of financial assets and financial liabilities at the date of transition recognised in opening accumulated deficit and accumulated other comprehensive income on January 1, 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9.

The adoption of IFRS 15 did not impact the timing or amount of fee income from contracts with customers and the related assets and liabilities recognised by the group. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

The effect of initially applying these standards is mainly attributed to the following:

- an increase in impairment losses recognised on financial assets;
- additional disclosures related to IFRS 9 [see notes 4 and 5];
- additional disclosures related to IFRS 15 [see note 4(h)].

3. Change in accounting policies

Except for the changes below, the group has consistently applied the accounting policies as set out in note 4 to all periods presented in these financial statements.

IFRS 9 *Financial Instruments*

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As a result of the adoption of IFRS 9, the group has adopted consequential amendments to IAS 1, *Presentation of Financial Statements*, which require separate presentation in the statement of profit or loss and other comprehensive income of interest revenue calculated using the effective interest method.

Additionally, the group has adopted consequential amendments to IFRS 7, *Financial Instruments: Disclosures,* which are applied to disclosures about 2018, but have not been applied to the comparative information.

The key changes to the group's accounting policies and the full impact resulting from its adoption of IFRS 9 are summarised below.

The impact of transition to IFRS 9 on the opening accumulated surplus, loan loss reserve and fair value reserve is as follows:

	Group $'000	**Co-operative $'000**
Accumulated losses		
Closing balance under IAS 39 (December 31, 2017)	624,264	599,902
Recognition of expected credit losses under IFRS 9		
Loans	313,321	313,321
Investments and resale agreements	17,219	17,219
Opening balance under IFRS 9 (January 1, 2018)	954,804	930,442

COK Sodality Co-operative Credit Union Limited
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Notes to the Financial Statements (Continued)
Year ended December 31, 2018
(Expressed in Jamaica dollars unless otherwise stated)

3. Changes in accounting policies (continued)

IFRS 9 *Financial Instruments (continued)*

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 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). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows.

The standard eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

The adoption of IFRS 9 has not had a significant impact on the Co-operative's accounting policies related to financial liabilities as the standard largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities as at amortised cost.

For an explanation on how the group classifies and measures financial instruments and accounts for related gains and losses under IFRS 9 [see notes 4(a)(ii) and 4(a)(iv)].

The following table and the accompanying notes explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the group's financial assets as at January 1, 2018.

Group

	Note	Original classification under IAS 39	New classification under IFRS 9	IAS 39 carrying amount at December 31, 2017	Re-measurement	IFRS 9 carrying amount at January 1 2018
				$'000	$'000	$'000
Financial assets						
Cash and cash equivalents		Loans and receivables	Amortised cost	160,065	-	160,065
Earning Liquid asset		Loans and receivables	Amortised cost	1,631,279	(14,528)	1,616,751
Financial investments:						
Other		Loans and receivables	Amortised cost	363,989	(2,691)	361,298
Equities		available for sale investment	Fair value through OCI	48,408	40,891	89,299
Loans to members		Loans and receivables	Amortised cost	6,346,756	(313,321)	6,033,435
				8,550,497	(289,649)	8,260,848

Co-operative

	Note	Original classification under IAS 39	New classification under IFRS 9	IAS 39 carrying amount at December 31, 2017	Re-measurement	IFRS 9 carrying amount at January 1 2018
				$'000	$'000	$'000
Financial assets						
Cash and cash equivalents		Loans and receivables	Amortised cost	158,019	-	158,019
Earning Liquid asset		Loans and receivables	Amortised cost	1,631,279	(14,528)	1,616,751
Financial investments:						
Other	(a)	Loans and receivables	Amortised cost	363,989	(2,691)	361,298
Equities	(b)	Available for sale	Fair value through OCI	48,408	40,891	89,299
Loans to members		Loans and receivables	Amortised cost	6,346,756	(313,321)	6,033,435
				8,548,451	(289,649)	8,258,802

3. Changes in accounting policies (continued)

Notes

(a) Financial instruments that were classified as loans and receivables under IAS 39 are now classified at amortised cost.

(b) Investment securities including securities acquired which are not quoted in an active market, were categorised under IAS 39 as available-for-sale. As permitted by IFRS 9, the group has designated these investments at the date of initial application as measured at fair value through other comprehensive income (FVOCI).

(ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. For an explanation of how the group applies the impairment requirements of IFRS 9, see note 5 (a)(vii).

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The group has determined that the application of IFRS 9's impairment requirements at January 1, 2018 results in an additional allowance for impairment as follows:

	$'000
Loss allowance at December 31, 2017 under IAS 39	232,839
Additional impairment recognised at January 1, 2018 on:	
Loans	313,321
Investment securities – Amortised cost	17,219
	330,540
Loss allowance at January 1, 2018 under IFRS 9	563,379

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. The Co-operative has taken advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement as well as asset changes. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in accumulated surplus and reserves as at January 1, 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

4. Significant accounting policies

The group has consistently applied the following accounting policies to all periods presented in these financial statements, except as otherwise stated (see note 3).

(a) Financial assets and financial liabilities

(i) Recognition and initial measurement

Policy applicable to 2018 and 2017

Financial instruments are classified, recognised and measured in accordance with the substance of the terms of the contracts as set out herein.

The group recognises a financial instrument when it becomes a party to the contractual terms of the instrument. The group initially recognises loans and deposits on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date, which is the date on which the group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL; transaction costs that are directly attributable to its acquisition or issue. A receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets- Policy applicable from January 1, 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt and equity investments; or fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

A debt investment is measured at FVOCI if it meets both the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4. Significant accounting policies (cont'd)

(a) Financial assets and financial liabilities (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Financial assets- Policy applicable from January 1, 2018 (cont'd)

On initial recognition of an equity investment that is not held for trading, the group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. On initial recognition, the Co-operative may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessments:

The group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities that are funding these assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. However, the information about sales activity is not considered in isolation, but as part of an overall assessment of how the group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

4. Significant accounting policies (cont'd)

(a) Financial assets and financial liabilities (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Financial assets- Policy applicable from January 1, 2018 (cont'd)

Assessment whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, 'principal' is defined as the fair value of financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first reporting period following the change in business model.

4. Significant accounting policies (cont'd)

(a) Financial assets and financial liabilities (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Financial assets- Policy applicable from January 1, 2018 (cont'd)

Policy applicable before January 1, 2018

Management determined the appropriate classification of investments at the time of purchase, taking account of the purpose for which the investments were purchased.

The Co-operative classified non-derivative financial assets into the following categories:

- *Loans and receivables*: Securities acquired or loans granted or other receivables with fixed or determinable payments and which were not quoted in an active market, were classified as loans and receivables. The group's financial instruments included in this classification were resale agreements.

- *Held-to-maturity*: Securities with fixed or determinable payments and fixed maturities that the group had the positive intent and ability to hold to maturity were classified as held-to-maturity. The group's financial instruments included in this classification were certificates of deposits.

- *Other financial liabilities*: The group classified non-derivative financial liabilities into this category.

(iii) Derecognition

Financial assets

The group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

4. Significant accounting policies (cont'd)

(a) Financial assets and financial liabilities (cont'd)

(iii) Derecognition (cont'd)

Financial liabilities

The group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Measurement and gains and losses

Policy applicable from January 1, 2018

Financial assets at amortised cost are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When a debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

Policy applicable before January 1, 2018

Loans and receivables: On initial recognition they are measured at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest method, less provision for impairment. Premiums and discounts are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

4. Significant accounting policies (cont'd)

(a) Financial assets and financial liabilities (cont'd)

(iv) Measurement and gains and losses (cont'd)

Policy applicable before January 1, 2018 (cont'd)

Where securities classified as loans and receivables become quoted in an active market, such securities will not be reclassified as available-for-sale securities. 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.

Available-for-sale: On initial recognition, they are measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value, with unrealised gains and losses arising from changes in fair value treated as follows:

- Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in surplus or deficit, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income.

- When securities classified as available-for-sale are sold or impaired, and therefore derecognised, the accumulated fair value adjustments accumulated in other comprehensive income are reclassified from fair value reserve to surplus or deficit.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the group has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the group's trading activity.

4. Significant accounting policies (cont'd)

(a) Financial assets and financial liabilities (cont'd)

(vi) Impairment

Policy applicable from January 1, 2018

The group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets measured at amortised cost; and
- debt investments measured at FVOCI.

The group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

Loss allowances for loans receivable are always measured at an amount equal to lifetime ECLs.

The group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The group does not apply the low credit risk exemption to any other financial instruments.

12-month ECLs are the portion of ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

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

4. Significant accounting policies (cont'd)

(a) Financial assets and financial liabilities (cont'd)

(vi) Impairment (cont'd)

Policy applicable from January 1, 2018 (cont'd)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses.

They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the group assesses whether financial assets carried at amortised costs are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

4. Significant accounting policies (cont'd)

(a) Financial assets and financial liabilities (cont'd)

(vi) Impairment (cont'd)

Policy applicable from January 1, 2018 (cont'd)

Credit-impaired financial assets (cont'd)

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the group on terms that the group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the g considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

4. Significant accounting policies (cont'd)

(a) Financial assets and financial liabilities (cont'd)

(vi) Impairment (cont'd)

Policy applicable from January 1, 2018 (cont'd)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- *financial assets measured at amortised cost:* as a deduction from the gross carrying amount of the assets.

- *debt instruments measured at FVOCI:* no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Co-operative determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the group's procedures for recovery of amounts due.

Policy applicable to 2018 and 2017

The guidelines stipulated by the Jamaica Co-operative Credit Union League ("JCCUL"), according to the PEARLS standard, require the allowance for loan losses be stipulated percentages of total delinquent loans, the percentages varying with the period of delinquency, without considering securities held against such loans

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

4. Significant accounting policies (cont'd)

(a) Financial assets and financial liabilities (cont'd)

(vi) Impairment (cont'd)

Policy applicable before January 1, 2018

An allowance for loan loss is established if there is objective evidence that the group will not be able to collect all amounts due according to the original contractual terms. An allowance for loan loss is also made where there is objective evidence that a portfolio of similar loans is impaired. The amount of the provision is the difference between the carrying amount and the recoverable amount.

The carrying amounts of the group's assets, other than loans to members, 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 at each reporting date. 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 surplus or deficit. 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 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 costs 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.

(ii) Reversals of impairment

In respect of loans 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.

4. Significant accounting policies (cont'd)

(a) Financial assets and financial liabilities (cont'd)

(vi) Impairment (cont'd)

Policy applicable before January 1, 2018 (cont'd)

(ii) Reversals of impairment

An impairment loss is reversed only to the extent that the asset's 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 surplus or deficit, except for available-for-sale equity financial asset, that are recognised in other comprehensive income.

(vii) Specific financial instruments

(1) Loans

Policy applicable from January 1, 2018

Loans in the statement of financial position include loans measured at amortised cost; they are initially measured at fair value, plus incremental direct transaction costs and are subsequently measured at amortised cost using the effective interest method.

Policy applicable before January 1, 2018

Loans were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market and that the group did not intend to sell immediately or in the near term. They were classified as loans and receivables and were initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(2) Cash and cash equivalents:

Cash comprises cash on hand and demand deposits. Cash equivalents comprise short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term commitments rather than for investment purposes (these include short-term deposits where the maturities do not exceed three months from the acquisition date). Cash and cash equivalents are measured at amortised cost.

4. Significant accounting policies (cont'd)

(a) Financial assets and financial liabilities (cont'd)

(vii) Specific financial instruments (cont'd)

(3) Resale agreements:

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

The difference between the purchase and resale consideration is recognised in interest income using the effective interest method.

(4) Other assets:

Other assets are measured at amortised cost less impairment losses.

(5) Other payables and accruals:

Other payables and accruals are measured at amortised cost.

(6) External credits:

External credits are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

(b) 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.

4. Significant accounting policies (cont'd)

(b) Basis of consolidation (cont'd)

(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, 2018, were not available for inclusion in the consolidated financial statements at December 31, 2018. The share of profits included in the consolidated financial statements is based on the unaudited results up to December 31, 2018 [see details in note 13(b)]. The interest in associate is carried at cost in the co-operative's separate financial statements.

(c) Property, plant and equipment

(i) Measurement:

All fixed assets are initially recorded at cost. Land and building are revalued biennially and are shown at market value which are measure by external independent valuators less depreciation on building. Any accumulated depreciation is eliminated at the date of revaluation against the gross carrying amount. Other 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.

4. Significant accounting policies (cont'd)

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

(iii) Depreciation:

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

Buildings	2½% per annum
Motorbike	33⅓% per annum
Office 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.

(d) 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.

(e) 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. Effective December 31, 2016, the defined-benefit pension plan was closed to new members. New members to the plan participate in a defined-contribution multi-employer pension plan operated by JCCUL.

4. Significant accounting policies (cont'd)

(e) Employee benefits (cont'd)

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.

(f) 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.

4. Significant accounting policies (cont'd)

(g) Members' shares

(i) Permanent shares

Permanent shares may be transferred by a member to another but are not available for withdrawal. Permanent shares are classified as equity and measured at cost.

(ii) Voluntary shares

Members' voluntary shares represent deposit holdings of the Co-operative's members, to satisfy membership requirements and to facilitate eligibility for loans and other benefits. These shares are classified as financial liabilities. Dividends payable on these shares are determined at the discretion of the Co-operative and reported as interest in surplus or deficit in the period in which they are approved.

(h) Revenue recognition

(i) Interest income

Policy applicable from January 1, 2018

Effective interest rate

Interest income is recognised in surplus or deficit using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to its gross carrying amount.

When calculating the effective interest rate for financial instruments other than purchased or originated credit impaired assets, the group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition of a financial asset.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset is the amount at which the financial asset is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any expected credit loss allowance (or impairment allowance before January 1, 2018).

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

4. Significant accounting policies (cont'd)

(h) Revenue recognition (continued)

(i) Interest income (continued)

Policy applicable from January 1, 2018 (continued)

Calculation of interest income

The effective interest rate of a financial asset is calculated on initial recognition of a financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to the gross basis even if the credit risk of the asset improves.

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI, includes interest on financial assets measured at amortised cost, and interest on debt instruments measured at FVOCI.

Policy applicable before January 1, 2018

Interest income is recognised in surplus or deficit for all interest-bearing instruments on the accrual basis, using the effective interest method. Interest income includes coupons earned on fixed income investments.

Where collection of interest income is considered doubtful, the related financial instruments are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

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

Notes to the Financial Statements (Continued)
Year ended December 31, 2018
(Expressed in Jamaica dollars unless otherwise stated)

4. Significant accounting policies (cont'd)

(h) Revenue recognition (continued)

(ii) Fees and commission

Policy applicable from January 1, 2018

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Co-operative recognises revenue when it transfers control over a service to a customer.

Fee and commission income including account service fees are recognised as the related services are performed.

A contract with a customer that results in a recognised financial instrument in the group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

The nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are as follows:

Type of service	**Nature and timing of satisfaction of performance obligations, including significant payment terms.**	**Revenue recognition under IFRS 15 (applicable from January 1, 2018).**
Service fees	The Co-operative provides banking related services to members which give rise to fees for the acquisition of bills of sale, credit checks and letters of undertaking, standing orders, account status letters and account statements. Transaction-based fees such as credit bureau fees are charged to the members' accounts when the transaction takes place.	Revenue related to transactions is recognised at the point in time when the transaction takes place.
	Service fees are charged when the service is delivered and are based on fixed rates determined by the co-operative. Processing fees relating to loans are a percentage of the principal and charged to the member's account at the time of the transaction.	Service fees are recognised at the point in time when the service is delivered.

4. Significant accounting policies (cont'd)

(h) Revenue recognition (continued)

(ii) Fees and commission (cont'd)

Policy applicable before January 1, 2018

Fees and commission income are recognised on the accrual basis when the service has been provided. Fees and commission arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

(iii) Dividends

Dividend income from equity financial investments is recognised when the group's right to receive payment has been established.

(i) Interest expense

Policy applicable from January 1, 2018

Interest expense is recognised in surplus or deficit using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the amortised cost of the financial liability.

The calculation of the effective interest rate includes transaction costs and fees that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the issue of a financial liability.

The 'amortised cost' of a financial liability is the amount at which the financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount.

The effective interest rate of a financial liability is calculated on initial recognition of the financial liability. In calculating interest expense, the effective interest rate is applied to the amortised cost of the liability.

Interest expense presented in the statement of surplus or deficit and OCI includes financial liabilities measured at amortised cost.

Policy applicable before January 1, 2018

Interest expense is recognised in surplus or deficit on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability to its carrying amount. The effective interest rate is established on initial recognition of the financial liability and not revised subsequently.

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4. Significant accounting policies (cont'd)

(j) League fees and stabilisation dues

JCCUL has determined the rate of calculating League fees at 0.2% (2017: 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% (2017: 0.15%) of savings funds.

5. Loans to members

	Group and Co-operative	
	2018	2017
	$`000	$`000
Balance at beginning of the year	6,540,368	6,029,147
Add: disbursements during year	4,030,719	3,215,578
	10,571,087	9,244,725
Less repayments and transfers	(2,711,987)	(2,703,857)
	7,859,100	6,540,868
Less: expected credit loss	(623,399)	(194,112)
	7,235,701	6,346,756

(a) Delinquent loans:

2018

Period overdue	Number in arrears	Loans in arrears $`000	Provision (%)	PEARLS Loan loss provision required $`000
1 - 2 months	2411	217,763	-	-
2 - 3 months	580	80,181	10%	8,018
3 - 6 months	1,251	162,740	30%	48,822
6 - 12 months	1,209	165,687	60%	99,412
Over 12 months	343	76,026	100%	76,026
	5,794	702,397		232,278

2017

Period overdue	Number in arrears	Loans in arrears $`000	Provision (%)	PEARLS Loan loss provision required $`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	211	58,294	100%	58,294
	5109	535,882		177,010

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5. Loans to members (cont'd)

(b) Allowance for impairment losses:

The movement in the allowance for expected credit loss is determined under the requirements of IFRS as follows:

	Group and Co-operative	
	2018	2017
	$`000	$`000
Balance at start of the year	194,112	166,811
IFRS 9 adjustment - loans	313,321	-
IFRS 9 adjustment - interest receivable	38,723	-
Balances as at January 1, 2018	546,156	166,811
Loans charged-off during the year	(79,712)	(104,306)
Increase in provision for the year	156,955	131,607
Balance at end of the year	623,399	194,112

6. Earning liquid assets

	Group and Co-operative	
	2018	2017
	$`000	$`000
Investments at amortised cost:		
Resale agreements (i)	107,333	696,701
Other investments	73,052	312,363
Short-term deposits	396,271	537,650
Government of Jamaica securities	91,020	-
Corporate bonds	120,637	84,565
Less Expected Credit Loss	(6,352)	-
	781,961	1,631,279

(i) The fair value of securities held as collateral for resale agreements amounted to $107,387,000 (2017: $708,315,000) for the group and the co-operative.

7. Financial investments

	Group and Co-operative	
	2018	2017
	$`000	$`000
Investments measured at amortised cost:		
Government of Jamaica securities	175,032	266,053
Corporate bonds	43,849	31,214
Other investments	143,958	66,722
Less Expected Credit Loss	(9,789)	-
	353,050	363,989
Equities designated at FVOCI		
Quoted shares	17,928	16,832
Unquoted shares	360,524	31,576
	378,452	48,408
	731,502	412,397

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8. Non-earning liquid assets

	Group		Co-operative	
	2018	2017	2018	2017
	$`000	$`000	$`000	$`000
Cash and cash equivalents:				
Cash floats	72,824	69,528	72,824	69,528
Bank accounts	64,998	90,537	62,959	88,491
	137,822	160,065	135,783	158,019

9. Other assets

	Group		Co-operative	
	2018	2017	2018	2017
	$`000	$`000	$`000	$`000
Interest receivable - members' loans	204,988	150,691	204,988	150,691
- investments	10,996	29,651	10,996	29,651
Imputed interest – staff loans	30,469	29,300	30,469	29,300
Deferred expenditure [see (i) below]	55,544	8,382	55,544	8,382
Other receivables [see (ii) and (iii) below]	204,336	222,748	219,304	237,717
Withholding tax recoverable	8,294	8,294	8,192	8,190
Prepayments	16,848	16,473	16,848	16,473
Dishonoured cheques	50	3	50	3
Remittance receivable	5,284	5,003	5,284	5,003
	536,809	470,545	551,675	485,410
Less provision for losses	(138,960)	(188,770)	(138,960)	(188,770)
	397,849	281,775	412,715	296,640

(i) Deferred expenditure includes deposits on capital assets [note 31(b)] totalling $54,553,000 (2017: $7,992,000) for the group and co-operative.

(ii) Other receivables include $58,782,000 (2017: $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.

9. Other assets (cont'd)

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

	Group and Co-operative	
	2018	2017
	$`000	$`000
Balance at the beginning of the year	188,770	211,196
Provision made during the year:		
Interest receivable	-	1,922
Other receivables	-	22,682
Amounts written off	(49,810)	(47,030)
Balance at end of the year	138,960	188,770

10. 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:

	Group and Co-operative	
	2018	2017
	$`000	$`000
Present value of funded obligations	(423,873)	(364,390)
Fair value of plan assets	525,859	483,633
Asset recognised in statement of financial position	101,986	119,243

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

	Group and Co-operative	
	2018	2017
	$`000	$`000
Balance at beginning of the year	119,243	123,553
Contributions paid	11,844	12,660
Amount recognised in profit or loss (note 26)	(4,996)	(3,265)
Re-measurement (loss)/gain recognised in other comprehensive income	(24,105)	(13,705)
Balance at end of the year	101,986	119,243

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10. Employee benefits asset (cont'd)

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

	Group and Co-operative	
	2018	2017
	$`000	$`000
Balance at beginning of the year	(364,390)	(301,025)
Benefits paid	10,691	9,834
Service costs	(11,902)	(10,849)
Employees' contributions	(11,340)	(11,835)
Interest costs	(29,177)	(27,182)
Past service costs	-	(1,024)
Actuarial (loss)/gain arising from:		
- experience adjustments	22,096	(4,363)
- change in financial assumptions	(39,851)	(17,946)
Balance at end of the year	(423,873)	(364,390)

(d) Movements in plan assets:

	Group and Co-operative	
	2018	2017
	$`000	$`000
Fair value of plan assets at beginning of the year	483,633	424,578
Employees' contributions	11,340	11,835
Employer's contributions	11,844	12,660
Interest income	39,190	38,872
Benefits paid	(10,691)	(9,834)
Administrative expenses	(3,107)	(3,082)
Actuarial (loss)/gain on plan assets	(6,350)	8,604
Fair value of plan assets at end of the year	525,859	483,633

	Group and Co-operative			
	2018		2017	
	%	$`000	%	$`000
Plan assets consist of the following:				
Equities	26.37	138,669	21.28	102,934
Fixed income securities	47.10	247,680	60.84	294,219
Real estate	23.73	124,786	16.19	78,293
Other	2.80	14,724	1.69	8,187
	100	525,859	100	483,633

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10. Employee benefits asset (cont'd)

(e) Amount recognised in profit or loss:

	Group and Co-operative	
	2018	2017
	$`000	$`000
Current service costs	11,902	10,849
Interest on obligation	29,177	27,182
Interest income on plan assets	(39,190)	(38,872)
Past service costs	-	1,024
Administrative expenses	3,107	3,082
	4,996	3,265

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

	Group and Co-operative	
	2018	2017
	$`000	$`000
Re-measurement loss/(gain)) on funded obligation	17,755	22,309
Re-measurement (gain)/loss on plan assets	6,350	(8,604)
	24,105	13,705

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

	Group and Co-operative	
	2018	2017
	%	%
Discount rate	7.0	8.0
Future salary increases	5.0	6.0
Inflation	3.0	5.0
Pension increases	2.5	2.5

At December 31, 2018, the weighted average duration of the defined benefit obligation was 20 years (2017: 19.9 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 $11,680,000, 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 $11,170,000.00 (2017: $12,310,000.00).

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10. 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			
	2018		2017	
	$'000 1% increase	$'000 1% decrease	$'000 1% increase	$'000 1% decrease
Discount rate	(71,735)	96,136	(60,651)	81,612
Future salary increase	42,035	(35,303)	38,298	(32,002)
Future pension increases	44,833	(37,516)	35,440	(29,495)

11. Property, plant and equipment

Group and Co-operative

	Land and buildings $`000	Office equipment, furniture and fixtures $`000	Data processing equipment $`000	Total $`000
Cost or valuation:				
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	261,917	240,224	129,826	631,967
Additions	10,527	22,943	14,800	48,270
Revaluation adjustments	279,362	-	-	279,362
Disposals	-	(11,251)	(5,642)	(16,893)
December 31, 2018	551,806	251,916	138,984	942,706
Depreciation:				
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	113,503	196,303	102,890	412,696
Charge for the year	13,538	14,727	10,937	39,202
Disposals	-	(12,703)	(5,453)	(18,156)
Eliminated on revaluation	(101,535)	-	-	(101,535)
	25,506	198,327	108,374	332,207
Net book values:				
December 31, 2018	526,300	53,589	30,610	610,499
December 31, 2017	148,414	43,921	26,936	219,271

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11. Property, plant and equipment (cont'd)

Land and building were revalued during the year by independent valuators Keith Alexander (Lucc.) Ltd. and Clinton Cunningham & Associates on December 10, 2018 and December 14, 2018 respectively. The surplus on the revaluation was included in building revaluation reserve (see note 22).

The fair value measurement has been categorised as level 3 in the fair value hierarchy. The following table shows the valuation technique used in measuring the fair value of land and buildings as well as the significant unobservable inputs used.

Valuation techniques	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Market based approach: The approach is based on the principle of substitution whereby the purchaser with perfect knowledge of the property market pays no more for the subject property than the cost of acquiring an existing comparable property, assuming no cost delay in making the substitution. The approach requires comparison of the subject property with others of similar design and utility, inter alia, which were sold in the recent past. However as no two properties are exactly alike, adjustment is made for the difference between the property subject to valuation and comparable properties.	• Details of the sales of comparable properties. • Conditions influencing the sale of the comparable properties. • Comparability adjustment.	The estimated fair value would increase/(decrease) if: • Sale value of comparable properties were higher/(lower). • Comparability adjustment were higher/(lower).

12. Intangible asset

Software

	Group and Co-operative		
	Cost	Amortisation	Carrying values
	$'000	$'000	$'000
Balance at December 31, 2016	176,230	(151,689)	
Additions/(charge) for the year	17,760	(11,734)	
Balance at December 31, 2017	193,990	(163,423)	30,567
Additions/(charge) for the year	2,837	(8,665)	
Balance at December 31, 2018	196,827	(172,088)	24,739

13. 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 (2017: $1,000,000). The wholly-owned subsidiary became operational on January 1, 2009.

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13. Subsidiary and associate (cont'd)

(b) Investment in associate:

	Group		Co-operative	
	2018	2017	2018	2017
	$`000	$`000	$`000	$`000
Shares at cost in MoneyMasters Ltd	-	-	-	-
Carrying amount of investment in associate	12,626	10,155	21,726	21,726
Share of profit of associate	2,360	2,471	-	-
	14,986	12,626	21,726	21,726

Unaudited financial information of the associate up to December 31:

	Group	
	2018	2017
	$`000	$`000
Non-current assets	2,935	1,069
Current assets	1,059,312	1,042,042
Non-current liabilities	(968,692)	(959,879)
Preference shares	(28,000)	(28,000)
Net assets attributable to equity holders	65,555	55,232
Group share of net assets 22.86% (2017: 22.86%)	14,986	12,626
Net profit from continuing operations	10,323	10,809
Group's share of profit from continuing operations	2,360	2,471

14. Savings deposits

	Group and Co-operative	
	2018	2017
	$`000	$`000
Balance at beginning of the year	5,111,267	4,680,990
Add new deposits	7,385,133	6,785,898
	12,496,400	11,466,888
Less withdrawals and transfers	(6,919,935)	(6,355,621)
Balance at end of the year	5,576,465	5,111,267

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15. Voluntary shares

	Group and Co-operative	
	2018	2017
	$`000	$`000
Balance at beginning of year	2,664,015	2,516,942
Add amount subscribed	2,798,616	2,745,767
	5,462,631	5,262,709
Less withdrawals and transfers	(2,638,611)	(2,598,694)
Balance at end of year	2,824,020	2,664,015

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.

16. 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-month treasury bill yield. The deferred shares are included in the capital base of the co-operative [see 35(e)].

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17. External credits

	Group and Co-operative	
	2018	2017
	$`000	$`000
Fixed deposits held for corporates	28,535	24,397

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.

18. Payables and accruals

		Group		Co-operative	
		2018	2017	2018	2017
		$`000	$`000	$`000	$`000
(a)	Payables:				
	Other payables	40,521	45,632	39,478	44,592
	Standing order payments	147,984	137,488	147,984	137,488
	Advances and interest	33,611	43,521	33,611	43,521
		222,116	226,641	221,073	225,601
(b)	Accruals:				
	Interest payable	15,943	19,857	15,943	19,857
	Withholding tax payable	2,204	2,701	2,204	2,701
	Other accruals	24,073	21,443	23,673	21,040
		42,220	44,001	41,820	43,598
		264,336	270,642	262,893	269,199

19. Other liabilities

	Group and Co-operative	
	2018	2017
	$`000	$`000
Social outreach	2	2
Unallocated receipts	93,800	53,091
Stale-dated cheques	29,524	25,239
	123,326	78,332

20. 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, 100,574 (2017: 139,531) members had not yet met this requirement.

21. Non-institutional and institutional capital

(a) Non-institutional capital

	Group		Co-operative	
	2018	2017	2018	2017
	$`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	2,360	2,471	-	-
Net deficit, excluding minority interest –MML	(748,569)	(450,230)	(724,199)	(423,397)
	(922,714)	(624,264)	(900,704)	(599,902)

(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 20) 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, 2018.

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

(b) Institutional capital

	Group and Co-operative	
	2018	2017
	$`000	$`000
Statutory and legal reserves (i)	232,057	221,692
General reserves (ii)	268,015	268,015
	500,072	489,707

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.

22. Other reserves

	Group and Co-operative	
	2018	2017
	$`000	$`000
Investment revaluation reserve (a)	65,236	15,687
Building revaluation reserve (b)	380,897	-
	446,133	15,687

(a) This represents the unrealised gains and losses arising on changes in fair value of investments classified at FVOCI (2017: available-for-sale).
(b) During the year, properties owned by the co-operative were revalued. The surplus on the revaluation has been credited to this reserve.

23. 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 10).

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24. Other income

	Group		Co-operative	
	2018	2017	2018	2017
	$`000	$`000	$`000	$`000
Remittance service	6,986	6,532	6,986	6,532
Foreign currency gains	3,040	222	3,027	1,089
Profit on cambio trading	16,044	11,648	16,044	11,648
Default interest	33,785	25,400	33,785	25,400
Documentation fees	14,417	10,508	14,417	10,508
Bad debt recoveries	33,960	88,626	33,960	88,626
Miscellaneous income	28,184	41,000	28,184	41,000
	136,416	183,936	136,403	184,803

25. Other costs

	Group		Co-operative	
	2018	2017	2018	2017
	$`000	$`000	$`000	$`000
Expenses – debit/credit card	8,274	5,384	8,274	5,384
Expenses – remittance service	-	645	-	-
Remittance sub-agent commission	-	2	-	-
Bank charges	5,952	4,632	5,941	4,620
Cambio licence fees	1,368	1,220	1,368	1,220
Remittance licence fees	214	248	214	248
Financial Services Commission licensing fee	941	1,554	941	1,554
Collections expenses	-	1	-	1
Loan broker expenses	5,395	5,077	5,395	5,077
Legal and documentation expenses	26,976	16,908	26,976	16,909
	49,120	35,671	49,109	35,013

26. Operating expenses

	Group		Co-operative	
	2018	2017	2018	2017
	$`000	$`000	$`000	$`000
Personnel expenses:				
Salaries and wages	559,077	529,816	559,077	529,816
Employer's statutory contributions	49,979	48,791	49,979	48,791
Education and training	4,527	5,233	4,527	5,233
Unused vacation leave	8,054	2,965	8,054	2,965
Pension cost [note 10(e)]	4,996	3,265	4,996	3,265
	626,633	590,070	626,633	590,070
Members' expenses:				
CUNA life savings and loan protection	31,070	29,280	31,070	29,280
Carried forward	657,703	619,350	657,703	619,350

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26. Operating expenses (cont'd)

	Group		Co-operative	
	2018	2017	2018	2017
	$`000	$`000	$`000	$`000
Brought forward	657,703	619,350	657,703	619,350
Administrative expenses:				
Printing, stationery and supplies	10,723	11,378	10,723	11,378
Repairs and maintenance	15,663	19,569	15,663	19,569
Depreciation and amortisation	47,877	46,745	47,877	46,745
Rental of premises (office and car park)	19,716	18,449	19,716	18,449
Travelling and subsistence	18,300	19,915	18,300	19,915
Meetings and functions	4,791	3,100	4,791	3,100
Subscriptions and other administrative expenses	19,652	18,368	19,652	18,243
Administrative expenses-COK Pension Plan	7,739	7,400	7,739	7,400
Electricity and water	28,513	28,590	28,513	28,590
Telephone and SMS text messaging	11,825	10,140	11,825	10,073
Auditors' remuneration - current year	6,067	5,982	6,067	5,681
- IFRS 9	3,720	-	3,720	-
- Prior year	173	132	173	120
Computer related	56,105	52,627	56,105	52,627
Annual general meeting	3,746	4,129	3,746	4,129
Professional and consulting fees	10,826	7,649	10,816	7,649
Security expenses	29,371	27,005	29,371	27,005
ATM interchange and switch fees	11,664	11,847	11,664	11,847
Insurance premiums - property	8,304	6,353	8,304	6,353
- bond	2	124	2	124
Remittance company management fees	-	309	-	309
GCT irrecoverable	41,150	36,242	41,150	36,140
	355,927	336,053	355,917	335,446
Marketing and promotion expenses:				
Publicity and promotion	43,813	60,539	43,813	60,495
Representation and affiliation expenses:				
League and other dues	29,821	27,617	29,821	27,617
League meetings	1,043	57	1,043	57
TOTAL OPERATING EXPENSES	1,088,307	1,043,616	1,088,297	1,042,965

27. Staff and volunteers' loans and deposit balances

These represent loans granted and deposits held by members of staff, key management personnel and volunteers for the group and the co-operative.

	Number	Loans	Shares and deposits
		$`000	$`000
Staff (including temporary and contract workers)	269	264,315	55,593
Key management personnel	16	33,686	8,913
Volunteers (Credit and Supervisory)	13	2,334	3,905

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

27. Staff and volunteers' loans and deposit balances (cont'd)

Key management personnel comprises all 12 Board members including one (1) Honorary Director.

28. 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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28. 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:

	Group		Co-operative	
	2018	2017	2018	2017
	$`000	$`000	$`000	$`000
Subsidiary: Other receivables	-	-	14,812	14,812

(b) Key management personnel compensation is as follows:

	Group and Co-operative	
	2018	2017
	$`000	$`000
Directors' honorarium	-	-
Short-term employee benefits included in personnel expenses (note 26)	37,311	37,863

29. Life savings and loan protection insurance

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

30. Comparison of ledger balances

Group and co-operative

	Savings deposits	Loans	Shares
	$`000	$`000	$`000
General ledger (unadjusted)	5,576,465	7,859,100	2,824,020
Personal ledger	5,576,465	7,859,100	2,824,020
Differences as at December 31, 2018	-	-	-
Differences as at December 31, 2017	-	-	-

31. Commitments

(a) At December 31, 2018, there were loan commitments to members totalling $60,136,361 (2017: $56,990,000) for the group and the co-operative.

(b) At December 31, 2018, total capital commitments for the group and the co-operative amounted to $146,119,000 (2017: $10,722,000), of which $54,553,000 (2017: $7,992,000) have been deposited [note 9(i)].

32. 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.

33. Fidelity insurance

Fidelity insurance coverage was adequately maintained during the year.

34. 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.

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.

34. Fair values (cont'd)

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 amount	Fair value Level 1	Total
	$'000	$'000	$'000
2018:			
Financial assets	17,928	17,928	17,928
2017:			
Financial assets	16,832	16,832	16,832

There was no transfer between levels during the current and prior year.

Basis for determining fair values

Financial assets measured at fair value 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.

35. 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

35. Financial risk management (cont'd)

(a) Introduction and overview (cont'd)

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.

Credit review process

The Co-operative has an established credit quality review process involving regular analysis of the ability of borrowers and other counterparties to meet interest and principal repayment obligations.

35. Financial risk management (cont'd)

(b) Credit risk (cont'd)

Credit review process (cont'd)

(i) Loans to members and guarantees

The management of credit risk in respect of loans to members is executed by the management of the group. 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.

The group assesses the probability of default of individual counterparties using internal ratings. Loans to members are segmented into six rating classes. The group's rating scale, which is shown below, reflects the risk rating assigned:

Credit Score Bands		
From	To	Risk Rating
81	100	Low
71	80	Moderately Low
51	70	Average
41	50	Moderately High
31	40	High
Under	30	Very High

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.

The credit quality of loans is as follows:

	2018				2017
	Stage 1	Stage 2	Stage 3	Total	Total
	$'000	$'000	$'000	$'000	$'000
Loans receivable	6,196,845	1,027,046	635,209	7,859,100	6,540,868
Loss allowance	(52,174)	(36,904)	(534,321)	(623,399)	(194,112)
Carrying amount	6,144,671	990,142	100,888	7,235,701	6,346,756

35. Financial risk management (cont'd)

(b) Credit risk (cont'd)

Credit review process (cont'd)

(ii) Resale agreements

The group limits its exposure to credit risk associated with investment securities by investing mainly in liquid securities with counterparties that have high credit quality.

Credit quality

The group identifies changes in credit risk by tracking published external credit ratings.

Loss given default (LGD) parameters generally reflect an assumed recovery rate except when the security is credit-impaired, in which case the estimate of loss is based on the instrument's current market price and original effective interest rate.

The credit quality of resale agreements is as follows:

	2018 $'000	2017 $'000
Credit rating		
B3	112,700	731,538

(iii) Cash at bank and in hand

Cash is held with banks and other financial institutions counterparties with '1' ratings. Impairment has been measured at 12-month expected loss basis and reflects the short maturities of the exposures. The group considers that cash at bank have low credit risk. No impairment allowances were recognised on initial adoption of IFRS 9 and there was no change during the period.

Impairment

Inputs, assumptions and techniques used for estimating impairment

See accounting policy at note 4(a)(vi).

35. Financial risk management (cont'd)

(b) Credit risk (cont'd)

Impairment (cont'd)

Inputs, assumptions and techniques used for estimating impairment (cont'd)

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the group's historical experience and third party policies including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The group uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due.

Credit risk grades:

The group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. The group uses these grades in identifying significant increases in credit risk under IFRS 9. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data:

- Data from credit reference agencies.
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.
- Payment record – this includes overdue status as well as a range of variables about payment ratios.
- Existing and forecast changes in business, financial and economic conditions.

35. Financial risk management (cont'd)

(b) Credit risk (cont'd)

Impairment (cont'd)

Inputs, assumptions and techniques used for estimating impairment (cont'd)

Significant increase in credit risk (cont'd)

Determining whether credit risk has been increased significantly:

The Co-operative assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower.

Credit risk is deemed to increase significantly where the credit rating of a security decreased by more than 150 points and if past due between 30 and 90 days. Both quantitative as well as qualitative considerations are included in determining whether there has been a significant change in credit risk (SICR) for the financial instrument since origination. Included in the group's assessment of a SICR on facilities extended to individual counterparties are material decline in credit scores as follows:

Loan Types	Decline in Credit Scores
Cash Secured	-60%
Unsecured	-30%
Real Estate	-50%
Motor Vehicle	-40%

As a backstop, the Co-operative considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist.

35. Financial risk management (cont'd)

(b) Credit risk (cont'd)

Impairment (cont'd)

Inputs, assumptions and techniques used for estimating impairment (cont'd)

Significant increase in credit risk (cont'd)

Determining whether credit risk has been increased significantly (cont'd):

In these cases, the group determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

Definition of default:

The Co-operative considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the group in full, without recourse by the group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

In assessing whether a borrower is in default, the Co-operative considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the group for regulatory capital purposes.

35. Financial risk management (cont'd)

(b) Credit risk (cont'd)

Impairment (cont'd)

Inputs, assumptions and techniques used for estimating impairment (cont'd)

Incorporation of forward-looking information

The group incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The group formulates three economic scenarios: a base case, which is the median scenario assigned a 50% probability of occurring, and two less likely scenarios, one upside and one downside, each assigned a 20% and 30% respectively, probability of occurring. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in Jamaica.

The economic scenarios used as at December 31, 2018 assumed no significant changes in key indicators for Jamaica for the years ending December 31, 2019 to 2021.

For 2018, forward-looking information was incorporated in the ECL computation by use of a management overlay. Based on the economic scenario, a proxy of 0.6, 1.1 and 1.6 times ECL was determined to be appropriate for positive, stable and negative outlooks respectively.

Measurement of ECLs

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD)

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

LGD is the magnitude of the likely loss if there is a default. The Co-operative estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

For loans secured by property, Loan-to-Value ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

35. Financial risk management (cont'd)

(b) Credit risk (cont'd)

Impairment (cont'd)

Inputs, assumptions and techniques used for estimating impairment (cont'd)

Measurement of ECLs (cont'd)

EAD represents the expected exposure in the event of a default. The group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the group considers a longer period. The maximum contractual period extends to the date at which the group has the right to require repayment of an advance.

The group established an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established on a group basis in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Loss allowance

The loss allowance recognised is analysed in note 5(b).

Credit exposure

The following table summarises the group's credit exposure for loans at their carrying amounts, as categorised by loan types:

	2018 $'000	2017 $'000
Cash secured	740,191	786,989
Motor vehicle	3,418,538	2,093,959
Real estate	2,039,749	2,054,418
Unsecured	1,660,622	1,605,502
	7,859,100	6,540,868
Loss allowance	(623,399)	(194,112)
	7,235,701	6,346,756

35. Financial risk management (cont'd)

(b) Credit risk (cont'd)

Collateral and other credit enhancements held against financial assets

The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines have been implemented regarding the acceptability of different types of collateral. The main types of collateral obtained are mortgages over properties, lien over motor vehicles, other registered securities over assets and hypothecation of shares held in the group and guarantees. Estimates of fair values are based on value of collateral assessed at the time of borrowing and are generally not updated except when a loan (or other financial asset) is individually assessed as impaired. Collateral is not generally held against deposits and investment securities, except when the securities are held as part of resale agreements.

Management monitors the market value of collateral held during its review of the adequacy of the provision for credit losses. An estimate, made at the time of borrowing, of the fair value of collateral and other security enhancements held against loans to borrowers and others is shown below:

The table below shows the collateral and other security enhancements held against loans to borrowers.

Collateral held for loans

	2018 $'000	2017 $'000
Against past due but not impaired financial assets		
Properties	1,103,822	1,094,550
Shares and deposits	229,181	229,133
Liens on motor vehicle	1,886,373	1,022,397
Impaired financial assets		
Properties	20,011	32,451
Shares and deposits	50,456	48,625
Liens on motor vehicle	2,537	20,588
Total	3,292,380	2,447,744

(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% (2017: 18.17%).

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35. Financial risk management (cont'd)

(c) Liquidity risk (cont'd)

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% (2017: 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				
	2018				
	1 to 3 months $'000	3 to 12 months $'000	Over 12 Outflow $'000	Total Cash Outflow $'000	Carrying Amount $'000
Savings deposits	4,305,804	940,949	338,420	5,585,174	5,576,465
Voluntary shares	2,824,020	-	-	2,824,020	2,824,020
Deferred shares	6,947	21,228	500,000	528,175	500,000
External credits	28,474	-	-	28,474	28,474
Non-interest bearing liabilities	387,662	-	-	387,662	387,662
	7,552,907	962,177	838,420	9,353,505	9,316,621

	2017				
	1 to 3 months $000	3 to 12 months $000	Over 12 months $000	Total cash outflow $000	Carrying Amount $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	500,000	528,175	500,000
External credits	24,397	-	-	24,397	24,397
Non-interest bearing liabilities	348,974	-	-	348,974	348,974
	6,916,579	769,342	957,146	8,643,068	8,648,653

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35. Financial risk management (cont'd)

(c) Liquidity risk (cont'd)

	Co-operative				
	2018				
	1 to 3 months $000	3 to 12 months $000	Over 12 months $000	Total cash outflow $000	Carrying Amount $000
Savings deposits	4,305,804	940,949	338,420	5,585,173	5,576,465
Voluntary shares	2,664,015	-	-	2,664,015	2,664,020
Deferred shares	6,947	21,228	500,000	528,175	500,000
External credits	28,535	-	-	28,535	28,535
Non-interest bearing liabilities	386,219	-	-	386,219	386,219
	7,391,520	962,1777	838,420	9,192,117	9,155,239

	2017				
	1 to 3 months $000	3 to 12 months $000	Over 12 months $000	Total cash outflow $000	Carrying Amount $000
Savings deposits	3,872,246	748,114	457,146	5,077,506	5,111,267
Voluntary shares	2,664,015	-	-	2,664,015	2,664,015
Deferred shares	6,947	21,228	500,000	528,175	500,000
External credits	24,524	-	-	24,524	24,397
Non-interest bearing liabilities	347,531	-	-	347,531	347,531
	6,915,263	769,342	957,146	8,641,751	8,647,210

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)
Year ended December 31, 2018
(Expressed in Jamaica dollars unless otherwise stated)

35. 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:

	Group		Co-operative	
	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000
Bank accounts	36	81	31	76
Cash float	11	11	11	11
	47	92	42	87

	Group		Co-operative	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Bank account	2	1	2	1
Cash floats	1	5	1	5
	3	6	3	6

The exchange rates for the Jamaica dollar, in terms of the US$ and Pound Sterling, as at December 31, 2018, were J$125.8936= US$1.00(2017: J$125.0004 = US$1.00) and J$161.1013 = £1.00 (2017: J$167.0275= £1.00).

A 4% (2017: 4%) weakening of the Jamaica dollar against the US$ and £ at the reporting date would have reduced profit for the year by $256,000 (2017: $500,000) for the group and $731,000 (2017: $475,000) for the co-operative.

A 2% (2017: 2%) strengthening of the Jamaica dollar against the US$ and £ at the reporting date would have decreased profit for the year by $128,000 (2017: $250,000) for the group and $115,000 (2017: $238,000) 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 2017.

35. 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:

	Group and Co-operative	
	2018	2017
	$'000	$'000
Fixed-rate instruments		
Financial assets	8,829,379	8,354,322
Financial liabilities	(8,409,293)	(7,741,522)
	420,086	612,800

	Group and Co-operative	
	2018	2017
	$'000	$'000
Variable-rate instruments		
Financial assets	194,352	194,352
Financial liabilities	(500,000)	(500,000)
	(305,648)	(305,648)

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.

	Group and Co-operative	
	Increased/(decreased) profit by	
	2018	2017
	$`000	$`000
1% (2017: 1%) increase in rates	(3,056)	(3,056)
1% (2017: 1%) decrease in rates	3,056	3,056

35. 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 6.9% (2017: 10.3%). If the guarantee of $180M by JCCUL is taken into consideration, the ratio would be 8.69% (2017: 12.2%), which is above the required 8%.

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 the year 2018. May their souls rest in peace and light perpetual shine upon them.

During 2018, 356 members or dependents were beneficiaries of approximately $170M paid in claims under our Family Indemnity Plan.

We also have a recorded number of 196 members for which an approximate $21M was paid under the Loan Protection and Life Savings policy.

NOTES

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