

## Independent Auditor's Report

To the Registrar of the Co-operative Societies

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION

(A Society Registered Under the Co-operative Societies Act)

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of Insurance Employees Cooperative Credit Union ("the Credit Union") set out on pages 6 to 34, which comprise the statements of financial position as at 31 December 2020, the 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 Credit Union as at 31 December 2020 and of 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Credit Union in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

During the current year audit there were two areas which we consider to be a key audit matter.

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*Impact of the Corona virus*

The Credit Union has assessed the impact of the recent Corona virus and its ability to continue as a going concern.

In this evaluation, the Credit Union assessed its industry, including its customer base in determining the potential future impacts.

Our responsibility was to assess these factors and determine if management's conclusions as to its ability to continue as a going concern is reasonable.

Management has concluded that based on the industry which it currently is, there will not be significant negative impact on its ability to continue as a going concern.

We have assessed the factors and based on the type of industry found no significant exceptions to their conclusion.

**Other Information**

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or with our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors

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### **Responsibilities of Management and the Board of Directors 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 financial statements, management is responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

**The Board of Directors is responsible for overseeing the Credit Union's financial reporting process.**

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix of this auditor's report. This description, which is located on page 5, forms part of our auditor's report.

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

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Co-operative Societies Act, in the manner required

The engagement partner on the audit resulting in this independent auditor's report is Worrick Bogle.

To the Registrar of the Co-operative Societies  
INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION  
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**BOGLE & COMPANY**  
Chartered Accountants  
Kingston, Jamaica

## **Appendix to the Independent Auditor's report**

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.

We communicate with the Board of Directors 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.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Insurance Employees Cooperative Credit Union**

**Statement of Financial Position**

For the year ended 31 December 2020

	Note	2020 \$	2019 \$
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
<b>Earning:</b>			
Financial Investments	3	171,346,176	71,432,866
Loans, after provision for loan impairment	4	<u>1,331,478,354</u>	<u>1,372,866,824</u>
<b>Total Earning</b>		<u>1,502,824,530</u>	<u>1,444,299,690</u>
Non-earning:			
Property, plant & equipment	6	<u>37,800,284</u>	<u>35,603,007</u>
<b>Total Non-earning</b>		<u>37,800,284</u>	<u>35,603,007</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u>1,540,624,814</u>	<u>1,479,902,697</u>
<b>CURRENT ASSETS</b>			
<b>Earning:</b>			
Financial Investments	3	154,871,851	98,125,689
Cash & cash equivalents	7	190,005,985	174,203,949
Loans, after provision for loan impairment		42,014,882	45,403,247
<b>Total Earning</b>		<u>386,892,718</u>	<u>317,732,885</u>
Non-earning:			
Accounts Receivable	8	19,351,138	18,824,412
Cash & cash equivalents	7	<u>53,882,787</u>	<u>61,314,237</u>
<b>Total Non-Earning</b>		<u>73,233,925</u>	<u>80,138,649</u>
<b>TOTAL CURRENT ASSETS</b>		<u>460,126,643</u>	<u>397,871,534</u>
<b>TOTAL ASSETS</b>		<u>2,000,751,457</u>	<u>1,877,774,231</u>

*The accompanying notes form part of these financial statements.*

**Insurance Employees Cooperative Credit Union**

**Statement of Financial Position**

For the year ended 31 December 2020

	Note	2020 \$	2019 \$
<b>EQUITY</b>			
Permanent Shares	9	26,229,480	24,845,226
Institutional capital	10	264,173,180	263,918,316
Non-institutional capital	11	119,998,887	104,868,960
Undistributed Surplus	12	8,183,295	12,162,306
<b>TOTAL EQUITY</b>		<u>418,584,842</u>	<u>405,794,808</u>
 <b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
<b>Interest bearing:</b>			
Members Shares		826,145,729	723,423,123
External Credit	13	73,671,616	73,925,535
<b>Total Interest bearing</b>		<u>899,817,345</u>	<u>797,348,658</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>899,817,345</u>	<u>797,348,658</u>
 <b>CURRENT LIABILITIES</b>			
<b>Interest bearing:</b>			
Saving Deposits	14	666,163,182	652,095,180
<b>Total Interest bearing</b>		<u>666,163,182</u>	<u>652,095,180</u>
 <b>Non-interest bearing</b>			
Payables and Accruals	15	16,186,088	22,535,585
<b>Total Non-interest bearing</b>		<u>16,186,088</u>	<u>22,535,585</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>682,349,270</u>	<u>674,630,765</u>
<b>TOTAL LIABILITIES</b>		<u>1,582,166,615</u>	<u>1,471,979,423</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>2,000,751,457</u>	<u>1,877,774,231</u>

Approved by the Board of Directors on \_\_\_\_\_ and signed on its behalf by:

\_\_\_\_\_/ Director

\_\_\_\_\_/ Director

*The accompanying notes form part of these financial statements.*

**Insurance Employees Cooperative Credit Union**  
**Profit & Loss and Comprehensive Income**  
As at 31 December 2020

	Note	2020 \$	2019 \$
<b>Interest and Investment Income</b>	<b>16</b>	139,528,068	152,575,525
<b>Interest expense</b>			
Interest on Deposits		(11,473,592)	(12,812,116)
Interest on Shares		-	(3,607,752)
		<u>(11,473,592)</u>	<u>(16,419,868)</u>
<b>Net interest income</b>		<u>128,054,476</u>	<u>136,155,657</u>
Finance Cost		(6,392,218)	(7,825,777)
Loan loss provision		(4,514,270)	(3,482,508)
		117,147,988	124,847,372
Other Revenue		18,654,695	15,403,107
<b>Gross margin</b>		<u>135,802,683</u>	<u>140,250,479</u>
<b>Operating expenses:</b>			
Staff Costs		(84,402,041)	(82,680,310)
General Overheads		(36,722,808)	(34,843,651)
Affiliation and Representation		(8,199,313)	(10,159,298)
Marketing & Promotion		(3,784,765)	(2,928,206)
Depreciation & Amortisation		(1,425,786)	(2,133,779)
<b>Total Expenses</b>	<b>17</b>	<u>(134,534,713)</u>	<u>(132,745,244)</u>
<b>Surplus for the year</b>		<u>1,267,970</u>	<u>7,505,235</u>
<b>Other comprehensive income</b>			
<i>Those that might be reclassified to profit or loss in subsequent periods</i>			
Revaluation (from)/to Loan Loss Reserve		8,060,790	6,205,221
Unrealised Gain on Investment		7,069,136	4,633,976
<b>Other comprehensive income for the year</b>		<u>15,129,926</u>	<u>10,839,197</u>
<b>Total comprehensive income for the year</b>		<u>16,397,896</u>	<u>18,344,432</u>

*The accompanying notes form part of these financial statements.*

**Insurance Employees Cooperative Credit Union**  
**Statement of Changes in Equity**  
For the Year Ended 31 December 2020

	Reserves			Retained Earnings	Total
	Permanent Shares	Institutional capital	Non-institutional capital		
	\$	\$	\$	\$	\$
Balance as at 1 January 2018	24,725,853	260,875,771	94,027,763	7,697,650	387,327,037
<b>Comprehensive Income</b>					
Surplus for the year				7,505,235	7,505,235
Loan Loss Reserve	-	-	-	10,839,197	10,839,197
<b>Total comprehensive income for the year</b>	-	-	-	18,344,432	18,344,432
Entrance fee		1,966			1,966
Prior Year Statutory transfer		1,539,532		(1,539,532)	-
Current year Statutory transfer		1,501,047		(1,501,047)	-
Receipts/Transfer	119,373	-	2,000	-	121,373
Loan loss reserve			6,205,221	(6,205,221)	-
Unrealised holding gain			4,633,976	(4,633,976)	-
<b>Total other</b>	119,373	3,042,545	10,841,197	(13,879,776)	123,339
<b>Balance as at 31 December 2019</b>	<u>24,845,226</u>	<u>263,918,316</u>	<u>104,868,960</u>	<u>12,162,306</u>	<u>405,794,808</u>
Balance as at 1 January 2019	24,845,226	263,918,316	104,868,960	12,162,306	405,794,808
<b>Comprehensive income</b>					
Surplus for the year				1,267,970	1,267,970
Other comprehensive income for the year	-	-	-	15,129,926	15,129,926
<b>Total comprehensive income for the year</b>	-	-	-	16,397,896	16,397,896
<b>Other</b>					
Entrance fee	-	1,270	-	-	1,270
Statutory transfer	-	253,594	-	(253,594)	-
Honorarium	-	-	-	(2,000,000)	(2,000,000)
Receipts/Transfer	1,384,254	-	-	(2,993,386)	(1,609,132)
Loan loss reserve	-	-	8,060,790	(8,060,790)	-
Unrealised holding gain	-	-	7,069,137	(7,069,137)	-
<b>Total other</b>	1,384,254	254,864	15,129,927	(20,376,907)	(3,607,862)
<b>Balance as at 31 December 2020</b>	<u>26,229,480</u>	<u>264,173,180</u>	<u>119,998,887</u>	<u>8,183,295</u>	<u>418,584,842</u>

*The accompanying notes form part of these financial statements.*

**Insurance Employees Cooperative Credit Union**

**Statement of Cash Flows**

For the Year Ended 31 December 2020

	Note	2020 \$	2019 \$
<b>Cash flow from operating activities</b>			
Surplus for the year		1,267,970	7,505,235
Depreciation & Amortisation		1,425,786	2,029,932
Interest Income		(139,528,068)	(152,575,525)
Less Unrealised Gain		(7,069,136)	(4,633,976)
Other Assets		(526,726)	(2,713,612)
Payables & accruals		(6,603,416)	(10,329,989)
Interest received		138,930,245	153,435,193
<b>Net cash flow from operations</b>		<u>(12,103,345)</u>	<u>(7,282,742)</u>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment		(3,623,065)	(4,348,426)
Financial Investments		(148,864,856)	9,358,970
Loans from Members		44,649,178	(17,939,531)
<b>Net cash flow from investing activities</b>		<u>(107,838,743)</u>	<u>(12,928,987)</u>
<b>Cash flow from financing activities</b>			
Appropriations & payments		10,391,406	13,883,742
Permanent shares		1,384,254	119,373
Members' shares deposits		116,790,608	19,439,831
Prior year Statutory Transfer		-	(1,539,532)
Current year Statutory Transfer		(253,594)	(1,501,047)
<b>Net cash flow from financing activities</b>		<u>128,312,674</u>	<u>30,402,367</u>
<b>Net increase in cash held</b>		<u>8,370,586</u>	<u>10,190,638</u>
Cash and cash equivalents at beginning of financial year		<u>235,518,186</u>	<u>225,327,548</u>
<b>Cash and cash equivalents at end of financial year</b>	<b>7</b>	<u><u>243,888,772</u></u>	<u><u>235,518,186</u></u>

*The accompanying notes form part of these financial statements.*

## **1 Identification & Activities**

The Insurance Employees Co-operative Credit Union Limited is a Co-operative Society registered under the Co-operative Societies Act. Membership is restricted to present and past employees of Life, Health and General Insurance and their related companies, Building Societies along with their extended families. The Credit Union's operations are concentrated in the parishes of St. Andrew and St. James. The registered office and principal place of business is located at 27 Parkington Plaza, Kingston 10.

The objectives of the credit union are to promote thrift among its members and to create hereby a source of credit for its members at competitive rates of interest for provident and productive purposes.

To receive the savings of its members

To make loans to members for provident and productive purposes in the way and manner hereinafter provided.

To invest in any security in which trustees are for the time being by Law authorized to invest.

To borrow money as provided by the rules of the Credit Union subject to the provisions of the Law and Regulations.

To draw, make, accept, endorse, discount, execute and issue Promissory Notes, Bills of lading, Bills of Exchange, Bills of Sale, Warrants and other negotiable or transferrable instruments.

## **2 Summary of Significant Accounting Policies**

These financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique.

In addition, for financial reporting purposes, fair value measurement are categorised into level 1,2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Union can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

**(a) New Accounting Standards for Application in Future Periods**

The Credit Union has not applied the following new and revised IFRSs that have been issued but are not yet effective and the Credit Union has not opted for early adoption.

IFRS 17 Insurance Contracts<sup>1</sup>

<sup>1</sup>Effective for annual periods beginning on or after 1 January 2021.

**(b) Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The significant accounting policies that have been used in preparation of the financial statements are summarised below and have been consistently applied for all the years presented. The Measurement bases used are those specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

**(c) Reporting currency**

The amounts stated in these financial statements are presented in Jamaican Dollars which is the functional currency of the Credit Union.

**(d) Basis of Preparation**

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique.

In addition, for financial reporting purposes, fair value measurement is categorised into level 1,2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Union can access at the measurement date.

Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly: and

Level 3 inputs are unobservable inputs for the asset or liability

**(e) Financial Instruments**

Financial assets and financial liabilities are recognized when an entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets are classified into the following specified categories: financial assets 'investments FVTPL and FVTOCI' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

**(e) Financial Instruments (cont'd)**

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

**Loans and Receivables**

Loans and receivables are measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

**Financial Investments**

The 'Financial Investments' caption in the statement of financial position includes:

- debt and equity investment securities mandatorily measured at FVPL or designated as FVPL;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI

The Credit Union elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Cumulative gains and losses recognised in OCI are transferred to the surplus and appropriations account on disposal of an investment.

**Dividends**

Dividends are recognised in profit or loss unless they clearly present a recovery of part of the cost of the investment, in which case they are recognised in OCI.

**(f) Provisions**

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

- Loans, after provision for loan impairment

No impairment on loss recognised on equity investments.

The Credit Union 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

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

Lifetime ECL are the ECL that result from all possible default events over the expected life of the loan. Loans for which a lifetime ECL is recognised but which are not credit-impaired are referred to as "Stage 2 and 3"

**(f) Provisions (cont'd)**

***Measurement of ECL***

ECL 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;
- 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;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Credit Union if the commitment is drawn down and the cash flows that the Credit Union expects to receive.

The Credit Union also provides based on the industry standards. This provision does not factor the time value of money, neither does it consider collateral.

The excess of the provision set for by the industry and that prescribed by IFRS is accumulated in a reserve called 'Loan loss Reserve' included in non-institutional capital.

**(g) Property, Plant and Equipment**

Land and Building comprises the building located at 27 Parkington plaza, Kingston 10, which is also the Credit Union's main office. All property, plants and equipment are reported at their initial cost less accumulated depreciation and accumulated impairment.

Depreciation is recognized so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method and next month convention. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The annual depreciation rates for the Credit Union are as follows:

<b>Building</b>	<b>2.5%</b>
<b>Furniture and Fixtures</b>	<b>10%</b>
<b>Office Equipment</b>	<b>20%</b>
<b>Computer</b>	<b>20%</b>

The useful lives of the property, plant and equipment are reviewed and adjusted if necessary.  
*Land is not depreciated*

Repairs and maintenance expenditures are charged to the profit or loss as general overhead during the period in which they are incurred.

**(h) Foreign Currency Transactions and Balances**

The Credit Union is subject to changes in foreign currency rates as it relates to the accounts held in United States dollar. It is recorded initially in the functional currency using the spot exchange rate of the Jamaican dollar to the United States dollar at the date of transaction. At the end of the period the foreign currency is converted to the functional currency using the closing rate for the period. Exchange differences arising from conversion of the rates used for initial recording and at the end of the period are recognised in the profit and loss statement.

**(i) Cash and Cash Equivalents**

Cash and Bank balances included notes and coins on hand, unrestricted funds held at other financial institutions representing non-interest-bearing liquid assets owned by the Credit Union. Interest bearing liquid assets such as interest-bearing savings accounts and short-term investments which are expected to be converted within a ninety-day cycle (90).

**(j) Revenue and Other Income**

Interest on investment

Dividend/Interest income from investments is recognized when the investor's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Credit Union and the amount of income can be measured reliably).

Interest on loans

Interest on loans is recognized when interest is calculated on the outstanding balance at the end of each month, using the reducing balance method.

Rental Income

Rental Income is recognised based on the accrual basis on rental agreement for the portion of building located at 27 Parkington plaza, Kingston 10.

Commission and Fees

Fees and commission income are generally recognised on a cash basis when the service has been provided.

**(k) Institutional Capital**

Institutional Capital includes the Statutory Reserve Fund as well as various other reserves established from time to time as is deemed necessary by the Board of Directors and agreed upon by the members to support the operation of the Credit Union and thereby protect the interest of the members. These reserves are not available for distribution.

The stronger the overall capital position, the easier it is for the credit union to deal with future uncertainties such as asset loss and adverse economic cycles.

**(l) Members' Shares in Co-operative Entities and Similar Instruments**

Members' shares in co-operative entities have some characteristics of equity. They also give the holder the right to request redemption for cash, although that right may be subject to certain limitations. IFRIC 2 gives guidance on how those redemption terms should be evaluated in determining whether the shares should be classified as financial liabilities or as equity.

*Members' shares- (voluntary)*

The voluntary shares are the main account for the credit union members. It forms the corner stone of the members' relationship with the credit union.

**(m) Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

**(n) Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Credit Union retrospectively applies an accounting policy, makes a retrospective restatement of items in the financial statements or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

**(o) Critical Accounting Estimates and Judgements**

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Credit Union.

**3 Financial investments**

		<b>2020</b>	<b>2019</b>
		\$	\$
<b>Current</b>			
Financial assets at fair value through profit or loss	<b>3(a)</b>	154,871,851	98,125,689
<b>Total current assets</b>		<u>154,871,851</u>	<u>98,125,689</u>
<b>Non-Current</b>			
Investment securities designated as at FVTPL	<b>3(a)</b>	43,068,549	7,694,640
Investment securities measured at FVOCI - debt instruments	<b>3(b)</b>	40,563,562	(1)
Investments securities designated as at FVOCI - equity instruments	<b>3(c)</b>	87,714,065	63,738,227
<b>Total non-current assets</b>		<u>171,346,176</u>	<u>71,432,866</u>
<b>Total Financial Investments</b>		<u>326,218,027</u>	<u>169,558,555</u>

**(a) Investment securities designated as at FVTP**

	<b>2020</b>	<b>2019</b>
	\$	\$
Debt Securities	51,493,486	15,208,541
Equity Securities	146,446,914	90,611,788
<b>Financial assets at fair value through profit or loss</b>	<u>197,940,400</u>	<u>105,820,329</u>

**(b) Debt Securities measured at FVOCI**

	<b>2020</b>	<b>2019</b>
	\$	\$
<b>Listed investments at fair value:</b>		
Government and fixed interest securities	40,563,562	(1)
	<u>40,563,562</u>	<u>(1)</u>
<b>Total Investments measured at FVOCI - debt instruments</b>	<u>40,563,562</u>	<u>(1)</u>

**3 Financial investments (cont'd)**

**(c) Equity Investments designate as at FVOCI**

	2020	2019
	\$	\$
NCB CAP Income Optimizer	87,714,065	63,738,227
<b>Total Investment securities designated as at FVOCI-equity instruments</b>	<u>87,714,065</u>	<u>63,738,227</u>

**4 Loans, after provision for loan impairment**

	Note	2020	2019
		\$	\$
Staff Loans		92,821,234	82,626,007
Ordinary Loans		334,518,192	363,800,905
Motor Vehicle Loans		459,460,805	500,193,804
Guardian Life Facilities		86,768,637	114,052,126
Payroll Short term loan		316,230,844	276,599,572
Other		81,196,197	78,739,709
<b>Total Gross Loans</b>		<u>1,370,995,909</u>	<u>1,416,012,123</u>
Loan loss provision	5	(4,457,829)	(4,824,865)
Accrued Interest		6,955,156	7,082,813
<b>Loans Net of Provision for Impairment</b>		<u>1,373,493,236</u>	<u>1,418,270,071</u>

**(a) Maturity Schedule**

	Maturity Schedule				Carrying Value	Carrying Value
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 years		
	Current	Non-current			2020	2019
	\$	\$	\$	\$	\$	\$
Loans to Individuals	13,901,826	25,615,728	843,991,970	487,486,385	1,370,995,909	1,416,012,123
Accrued Interest	6,955,156				6,955,156	7,082,813
Less: provision for Loan loss					(4,457,829)	(4,824,865)
	<u>20,856,982</u>	<u>25,615,728</u>	<u>843,991,970</u>	<u>487,486,385</u>	<u>1,373,493,236</u>	<u>1,418,270,071</u>

#### 4 Loans, after provision for loan impairment (cont'd)

##### (b) Collateral

The Credit Union 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 held in the Credit Union and guarantees. Estimates of fair values are based on value of collateral assessed at the time of borrowing and are generally not updated except when a loan is individually assessed as impaired.

The Credit Union had nil repossessed collateral at the reporting date with a market value of nil (2019: \$6,030,000).

#### 5 Provisions

There are a total of 73 (2019 :64) non-performing loans. The credit union defines a non-performing loan as one where payments are beyond 30 days past due. The Credit Union does not accrue interest for loans which are in arrears for over 90 days

The Credit Union provides for its non-performing loans using the loan loss provision as prescribed by IFRS 9 as well as the standards of the Jamaica Co-operative Credit Union League (JCCUL). Each loan has been analysed as required by the standard and the adjustment reclassified to the Loan Loss Reserve under non-institutional capital.

	<b>Loan Loss Provision</b>	<b>Loan Loss Reserve</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance as at 1 January 2019	4,824,865	15,096,441	19,921,306
Additional provisions	-	8,060,790	8,060,790
Amounts used	(367,036)	-	(367,036)
<b>Balance as at 31 December 2020</b>	<u><u>4,457,829</u></u>	<u><u>23,157,231</u></u>	<u><u>27,615,060</u></u>

**5 Provisions (cont'd)**

**(a) ECL Evaluation**

A total of 2,317 contracts have been assessed by the Credit Bureau as at the reporting date of December 31, 2018. Based on the assessment the following assumption were made:

- Loss Given Default (LGD) = 4.82%
- Contacts with terms remaining < 1 month not assessed
- Contract already in default assumed to have a Probability of Default (PD) of 100% going forward.
- 5% discount rate

Below is the staging policy used

Stage	DPD	PD
1	< 31	12 Months
2	31- 89	Lifetime
3	> 90	Lifetime

**(b) Provision as Prescribed by JCCUL**

In the financial statements the credit union does not provide for loan loss in accordance to Jamaica Co-operative Credit Union League (JCCUL) as those methods are superseded that those of the International Financial Reporting Standards set out in the preceding paragraph.

For comparative purposes, the credit union continues to maintain the provision schedule in accordance with JCCUL requirements.

<b>Provision based on the Jamaica Co-operative Credit Union League</b>				
	<b>Number of accounts</b>	<b>Delinquent Loans</b>	<b>Required provision</b>	<b>Provision rate</b>
		<b>\$</b>	<b>\$</b>	<b>%</b>
Delinquent Loans (60 - 90 days)	7	3,573,512	357,351	10
Delinquent Loans (>90 - 180 days)	14	10,297,769	3,089,331	30
Delinquent Loans (>180 - 360 days)	10	6,048,940	3,629,364	60
Delinquent Loans (Over 360 days)	42	20,539,014	20,539,014	100
	<u>73</u>	<u>40,459,235</u>	<u>27,615,060</u>	

**6 Property, plant & equipment**

	Land and Buildings	Furniture, Fixtures & Fittings	Computer	Office Equipment	Total
	\$	\$	\$	\$	\$
<b>Cost/Valuation</b>					
<b>Balance as at 1 January 2019</b>	15,249,144	4,286,116	27,308,505	13,360,955	60,204,720
Additions	-	801,937	1,743,707	1,802,782	4,348,426
<b>Balance as at 31 December 2019</b>	<u>15,249,144</u>	<u>5,088,053</u>	<u>29,052,212</u>	<u>15,163,737</u>	<u>64,553,146</u>
Additions	99,021	44,018	3,047,446	432,580	3,623,065
Disposals	-	-	-	-	-
<b>31 December 2020</b>	<u>15,348,165</u>	<u>5,132,071</u>	<u>32,099,658</u>	<u>15,596,317</u>	<u>68,176,211</u>
<b>Accumulated Depreciation</b>					
<b>Balance as at 1 January 2019</b>	<u>3,900,340</u>	<u>2,848,344</u>	<u>10,401,223</u>	<u>9,770,300</u>	<u>26,920,207</u>
Depreciation expense	319,613	185,898	696,789	827,632	2,029,932
<b>Balance as at 31 December 2019</b>	<u>4,219,953</u>	<u>3,034,242</u>	<u>11,098,012</u>	<u>10,597,932</u>	<u>28,950,139</u>
Depreciation expense	322,091	192,075	553,762	357,860	1,425,788
Disposals	-	-	-	-	-
<b>Balance as at 31 December 2020</b>	<u>4,542,044</u>	<u>3,226,317</u>	<u>11,651,774</u>	<u>10,955,792</u>	<u>30,375,927</u>
<b>31 December 2020</b>	<u>10,806,121</u>	<u>1,905,754</u>	<u>20,447,884</u>	<u>4,640,525</u>	<u>37,800,284</u>
<b>31 December 2019</b>	<u>11,029,191</u>	<u>2,053,811</u>	<u>17,954,200</u>	<u>4,565,805</u>	<u>35,603,007</u>

Land and Building comprises land in the amount of \$2,464,594 (2019: \$2,464,594), which is not depreciated.

**7 Cash & cash equivalents**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Cash and cash equivalents</b>		
<b>Non-earning:</b>		
Cash on hand	444,695	520,445
Bank accounts Denominated in Jamaican Dollar	53,438,092	60,793,792
	<u>53,882,787</u>	<u>61,314,237</u>
<b>Earning:</b>		
Bank accounts Denominated in United States Dollar	16,813,167	22,419,934
Short term investments	173,192,818	151,784,015
	<u>190,005,985</u>	<u>174,203,949</u>
<b>Total cash and cash equivalents</b>	<u><u>243,888,772</u></u>	<u><u>235,518,186</u></u>

The Short-term investments represent the fair value of the investments as at December 31, 2019 and are expected to mature within 3 months or less. These investments are categorised as Fair Value through Profit or Loss (FVPL).

**Reconciliation of cash**

Cash and cash equivalents reported in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	<u>243,888,772</u>	<u>235,518,186</u>
<b>Balance as per statement of cash flows</b>	<u><u>243,888,772</u></u>	<u><u>235,518,186</u></u>

## 8 Accounts Receivables

The accounts receivable accounts represent amounts owed to the Credit Union as of December 31, 2020. There has been no provision for loss against these accounts

	<b>2020</b>	<b>2019</b>
	\$	\$
<b>Current</b>		
Premium receivables	1,777,435	1,777,435
Rental receivable	1,494,347	928,180
Prepaid assets	1,069,929	1,200,304
Security Deposit	34,188	34,188
Withholding tax	3,292,937	3,156,617
Other receivables	11,682,302	11,727,688
<b>Total current trade and other receivables</b>	<u>19,351,138</u>	<u>18,824,412</u>
<b>Total trade and other receivables</b>	<u><u>19,351,138</u></u>	<u><u>18,824,412</u></u>

a) Withholding tax represents accumulated withholding tax on investments. Effective September 1, 2010, the Credit Union was granted a 10-year exemption on withholding tax. The Credit Union has been reducing this balance by offsetting it against the withholding tax payable on interest paid to members on shares and deposits.

b) Premiums Receivables represents balance owed by members to reimburse Credit Union for payments made on their behalf

## 9 Permanent Shares

This represents equity in the Credit Union which cannot be withdrawn but may be transferred to another member or repurchased by the Credit Union through its permanent shares reserve Fund.

	<b>2020</b>	<b>2019</b>
	\$	\$
Permanent Shares	26,178,411	24,831,434
Permanent Shares reserve	51,069	13,792
	<u>26,229,480</u>	<u>24,845,226</u>

## 10 Institutional capital

### a. Statutory Reserve

Pursuant to the Co-operative Societies Act Credit Unions are required to transfer to a Statutory Reserve all entrance fees collected and a minimum of 20% of net surplus.

### b. Special Reserve

This reserve represents amounts appropriated by members to strengthen the capital based of the Credit Union and is not available for distribution.

	<b>2020</b>	<b>2019</b>
	\$	\$
Statutory Reserve	264,155,964	263,902,370
Entrance fees	17,216	15,946
	<u>264,173,180</u>	<u>263,918,316</u>

## 11 Non-institutional capital

This represents amounts set aside to facilitate outreach and development activities of the credit union.

	<b>2020</b>	<b>2019</b>
	\$	\$
Capital Reserve	3,000,000	3,000,000
Gain on Investment	19,653,649	12,584,512
Share Fund transfer reserve	577,321	577,321
General Reserve	73,610,686	73,610,686
Loan Loss Reserve	23,157,231	15,096,441
	<u>119,998,887</u>	<u>104,868,960</u>

- i. Capital Reserve represents an amount put aside for significant capital expenditure.
- ii. Gain on investment represents the accumulated interest on the Credit Union's National Commercial Bank Capital Market account and its gain on the Jamaica Unit Trust securities
- iii. The Share Transfer Reserve is used to purchase/buy back retired Permanent Share (\$3,000.00) whenever an Account is closed. These amounts are placed in the "Nominee Account" for future share distribution to new Members
- iv. Loan loss reserves represents the cumulative excess of provision for loan loss determined by using the JCCUL regulatory requirements over the amount determined under IFRS.

## 12 Undistributed Surplus

This represents amount available for distribution to the members of the Credit Union

	\$
Balance as at 31 December 2019	12,162,306
Surplus for the year	1,267,970
Honorarium	(2,000,000)
Receipts/Transfer	(2,993,387)
Statutory transfer	(253,594)
<b>Balance as at 31 December 2020</b>	<u><u>8,183,295</u></u>

## 13 External Credit

	1 to 5 years	Over 5 Years	Carrying value 2020	Carrying value 2019
	\$	\$	\$	\$
Secured by Building	48,394,630		48,394,630	48,648,548
Secured by Hypothecation		25,276,986	25,276,986	25,276,987
	<u>48,394,630</u>	<u>25,276,986</u>	<u>73,671,616</u>	<u>73,925,535</u>

- i. The loan facility from Sagicor life Jamaica Limited matures 2020 and is secured by Building located at 27 Parkington Plaza, Kingston 10 and bears an interest rate of 4%.
- ii. The loan facility from Guardian life Limited matures 2025 and is secured by hypothecation and bears an interest rate of 5%.

## 14 Members Deposits

	2020	2019
	\$	\$
Regular Deposit	99,389,080	106,032,084
Term Deposits	559,858,911	538,473,717
Accrued Interest	6,915,191	7,589,379
	<u>666,163,182</u>	<u>652,095,180</u>

## 15 Payables and Accruals

This represents the non-interest earning liabilities of the Credit Union.

	2020	2019
	\$	\$
<b>Current</b>		
Accounts Payables	1,796,552	3,196,990
Death Claims	1,359,392	1,813,389
Premiums Payables	601,482	4,319,090
General Consumption Tax	765,538	101,363
Honoraria	824,375	-
QNET	559,799	113,165
Security Deposit	301,417	301,417
Audit Fees	1,922,076	1,316,800
Other Payables	8,055,457	11,373,371
	<u>16,186,088</u>	<u>22,535,585</u>

## 16 Revenue and Other Income

	2020	2019
	\$	\$
<b>Revenue</b>		
<b>Interest and Investment Income</b>		
Investment Income	5,056,136	7,956,273
Interest on Loans	134,471,932	144,619,252
	<u>139,528,068</u>	<u>152,575,525</u>
<b>Other Revenue</b>		
Commission and Fees	2,062,207	1,635,543
Bills of Sale	139,000	115,184
Discount Cards	13,320	9,500
Service Charge	6,689,856	8,134,268
Other Revenue	5,775,191	1,723,650
Investment Property	3,975,121	3,784,962
	<u>18,654,695</u>	<u>15,403,107</u>
<b>Total Revenue</b>	<u>158,182,763</u>	<u>167,978,632</u>

**17 Administrative expenses**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Staff Costs</b>		
Salaries, allowances & statutory contributions	78,011,590	76,457,403
Staff Training	-	875,691
Travelling & related expenses	1,110,638	727,309
Pension	5,279,813	4,619,907
	<u>84,402,041</u>	<u>82,680,310</u>
<b>General Overheads</b>		
Donation	-	38,000
Auditor's Remuneration	1,899,996	1,419,800
Office Rental	1,607,257	1,567,539
Insurance	6,997,519	6,889,223
FIP Expense	1,713,546	1,316,640
Office Expenses	3,640,108	4,836,665
Professional fees	4,499,271	2,089,622
Repair and Maintenance	1,101,684	2,169,709
Security and messenger service	2,507,896	2,559,057
Telephone, cable, postage & telegram	8,039,619	7,410,042
Electricity	3,685,532	3,719,975
Rates & taxes	1,030,380	827,379
	<u>36,722,808</u>	<u>34,843,651</u>
<b>Marketing &amp; Promotion</b>	<u>3,784,765</u>	<u>2,928,206</u>
<b>Affiliation and Representation</b>		
Stabilization dues	1,533,386	1,877,250
League fees	3,712,344	3,703,530
Seminars and meetings	2,953,583	4,578,518
	<u>8,199,313</u>	<u>10,159,298</u>
<b>Depreciation &amp; Amortisation</b>	<u>1,425,786</u>	<u>2,133,779</u>
<b>Total operating expenses</b>	<u>134,534,713</u>	<u>132,745,244</u>

## 18 Contingent Liabilities and Contingent Assets

The Credit Union has guaranteed \$9.6M to Collector of Customs for 3 years from June 2015 if a member fails to pay the duties on the vehicles imported when they are sold. In exchange a freehold title for a 2-bedroom apartment valued at \$12M provides security.

## 19 Auditor's Remuneration

	2020	2019
	\$	\$
<b>Remuneration of the auditor for:</b>		
auditing or reviewing the financial statements	1,176,000	1,120,000
due diligence services	723,996	299,800
	<u>1,899,996</u>	<u>1,419,800</u>

## 20 Related Party Balances

On December 31, 2020, 14 (2019: 14) members of the credit union's Board of Directors, Committee members and key management personnel had savings and loans inclusive of interest of the figures below:

	2020	2019
	\$	\$
Savings	18,684,597	17,855,337
Loans (inclusive of interest)	39,804,619	32,952,701

## 21 Staff Compliment

	2020	2019
Number of persons employed		
Permanent	24	27
	<u>24</u>	<u>27</u>

## 22 Comparison of ledger balances

	Saving Deposits \$	Members Shares \$	Permanent Shares \$	Loans Gross of Allowance \$
General Ledger	666,163,182	826,145,729	26,178,411	(1,366,538,080)
Sub Ledger	666,163,182	826,145,729	26,178,411	1,366,538,080
<b>Variance</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## 23 Fair Values

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed upon between knowledgeable and willing parties who are under no compulsion to act. This is best evidenced by a quoted market price. Many of the society's financial instruments lack an available trading market. Therefore, these instruments have been valued using other valuation techniques and may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments. The fair values of cash resources, securities purchased under resale agreements, other assets, and other liabilities, are assumed to approximate their carrying values due to their short-term nature. The fair value of the quoted equities is determined based on their quoted bid price at the statement of financial position date. The fair value of Government of Jamaica securities is estimated by discounting the future cash flows of the securities at the estimated yields at the date of the statement of financial position for similar securities. The estimated fair values of loans to members are assumed to be the principal receivable less any allowance for loan losses.

The fair value of external credits, deposits payable on demand or after notice, and deposits with a variable or floating rate payable on a fixed date are assumed to be equal to their carrying values. The estimated fair values of fixed rate deposits payable within a year are assumed to approximate their carrying values, due to their short-term nature. The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	2020 Fair Value \$	2020 Fair Value \$	2019 Fair Value \$	2019 Fair Value \$
<b>Financial Asset</b>				
Loans and advances	1,373,493,236	1,373,493,236	1,418,270,071	1,418,270,071
Liquid assets (including cash and bank balance)	243,888,772	243,888,772	235,518,186	235,518,186
Financial investments	326,218,027	326,218,027	169,558,555	169,558,555
Non-earning assets	19,351,138	19,351,138	18,824,412	18,824,412
<b>Financial liabilities</b>				
Savings deposits	666,163,182	666,163,182	652,095,180	652,095,180
Members' share capital	826,145,729	826,145,729	723,423,123	723,423,123
<b>Other liabilities</b>				
Non-interest liabilities	16,186,088	16,186,088	22,535,585	22,535,585

## 23 Fair Values (cont'd)

Fair value hierarchy as at 31/12/20

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Liquid assets		173,192,818		173,192,818
Loans and receivables:				
loans to members			1,373,493,236	1,373,493,236
Other receivables			19,351,138	19,351,138
Fair Value through Profit or loss:				
Repurchase agreements		154,871,851		154,871,851
Unquoted investments			7,861,660	7,861,660
Fair Value through Other Comprehensive Income		87,714,065		87,714,065
	-	415,778,734	1,400,706,034	1,816,484,768
<b>Financial liabilities</b>				
Saving Deposits			666,163,182	666,163,182
Members' share capital			826,145,729	826,145,729
Loans from other entities			73,671,616	73,671,616
Trade and other payables			16,186,088	16,186,088
	-	-	1,582,166,615	1,582,166,615

## 24 Financial Risk Management

### (a) Insurance

The Credit Union has in place the following insurance coverage which are deemed adequate:

- GK General Insurance Company Limited: Commercial All Risk, Fidelity Guarantee, Public Liability, Money, Machinery Breakdown, and Low Voltage.

### (b) Credit Risk

Credit risk is the risk of financial loss to the Credit Union if a member or counterparty to a financial instrument fails to meet its contractual obligations and arises primarily from the Credit Union's loans to members, deposits with other institutions and investment securities. There is also credit risk exposure in respect of instruments such as loan commitments and guarantees which may not be stated on the Statement of Financial Position. They expose the Credit Union to similar risks as loans and are managed in similar manner.

**Insurance Employees Cooperative Credit Union**  
**Notes to the Financial Statements**  
31 December 2020

**(b) Credit Risk (cont'd)**

The carrying amount of financial assets represents the maximum exposure to credit risk (before application of collateral held) which at the statement of financial position date was:

	<b>2020</b>	<b>2019</b>
	\$	\$
<b>Financial assets</b>		
Cash and Cash Equivalents	243,888,772	235,518,186
Accounts Receivables	19,351,138	18,824,412
Loans and receivables (including trade receivables balance)	1,392,844,374	1,437,094,483
Investments	326,218,027	169,558,555
<b>Financial liabilities</b>		
Payables and Deposits	1,582,166,615	1,471,979,423

**(c) Liquidity Risk**

The Credit Union's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under both normal or stressed conditions. Prudent liquidity risk management which the Credit Union uses includes maintaining sufficient cash and marketable securities, monitoring future cash flows and liquidity on a daily basis and maintaining an adequate amount of committed overdraft facilities.

The Credit Union is subject to a liquidity limit set by the Jamaica Co-operative Credit Union League and compliance is closely monitored. The key measure used by the Credit Union for managing liquidity risk is the ratio of liquid assets to total savings deposit.

For this purpose, liquid assets include cash and bank balances, deposits held with JCCUL and highly liquid investments which are readily converted into cash within three months. The liquid asset ratio at the end of the year was 1:0.59 (2018:1:0.49). There has been no change to the Credit Union's exposure to liquidity risk or the manner in which it manages and measures the risk.

	<b>2020</b>	<b>2019</b>
	\$	\$
<b>Cash resources:</b>		
Loans (after provision for loan impairment)	42,014,882	45,403,247
Financial investments (within 3 months)	154,871,851	98,125,689
Liquid assets	173,192,818	151,784,015
Cash & bank balances	70,695,954	83,734,171
Accounts Receivable	19,351,138	18,824,412
	<u>460,126,643</u>	<u>397,871,534</u>
<b>Saving Deposits and other payables:</b>		
Members deposits	666,163,182	652,095,180
Payables & accruals	16,186,088	22,535,585
	<u>682,349,270</u>	<u>674,630,765</u>
Ratio	0.67	0.59

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**(c) Liquidity Risk (cont'd)**

Members' Voluntary share capital can be withdrawn at the option of the members, unless they are held as security for loans and guarantees and will therefore affect the liquidity position of the Credit Union. These have no contractual maturity. The amounts included in the analysis are based on management's estimate of flows on expected cash from these instruments as determined by retention history. These may vary significantly from actual cash flows which are generally expected to maintain a stable or increasing balance.

**(d) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. These arise mainly from changes in interest rate, foreign currency rate and equity prices and will affect the Credit Union'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 Credit Union's exposure to market risks or the manner in which it manages and measures the risk.

**(e) Interest rate risk**

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

A summary of the Credit Union's interest rate gap position and sensitivity analysis is as follows:

	<b>Within 3 Months</b>	<b>3-12 Months</b>	<b>1 to 5 years</b>	<b>&gt;5 Years</b>	<b>No Maturity</b>	<b>Total</b>
<b>31 December 2020</b>						
<b>Assets</b>						
Cash & cash equivalents	243,888,772					243,888,772
Financial Investments	154,871,851			163,484,516	7,861,660	326,218,027
Loan Portfolio, net	20,856,982	25,615,728	843,991,970	487,486,385	(4,457,829)	1,373,493,236
Property, plant & equipment					37,800,284	37,800,284
Other Assets		19,351,138				19,351,138
<b>Total Assets</b>	<b>419,617,605</b>	<b>44,966,866</b>	<b>843,991,970</b>	<b>650,970,901</b>	<b>41,204,115</b>	<b>2,000,751,457</b>
<b>Liabilities</b>						
Demand Savings Account	273,135,379					273,135,379
Term Deposits	110,335,551	282,692,252				393,027,803
Loans Payable	671,616	-	48,000,000	25,000,000		73,671,616
Other Liabilities					842,331,817	842,331,817
<b>Total Liabilities</b>	<b>384,142,546</b>	<b>282,692,252</b>	<b>48,000,000</b>	<b>25,000,000</b>	<b>842,331,817</b>	<b>1,582,166,615</b>
<b>Total Equity</b>					<b>418,584,842</b>	<b>418,584,842</b>
<b>Total Liabilities and Equity</b>	<b>384,142,546</b>	<b>282,692,252</b>	<b>48,000,000</b>	<b>25,000,000</b>	<b>1,260,916,659</b>	<b>2,000,751,457</b>
<b>Asset Liability Gap</b>	<b>35,475,059</b>	<b>(237,725,386)</b>	<b>795,991,970</b>	<b>625,970,901</b>	<b>(1,219,712,544)</b>	<b>-</b>
<b>Cumulative Asset-Liability Gap</b>	<b>35,475,059</b>	<b>(202,250,327)</b>	<b>593,741,643</b>	<b>1,219,712,544</b>	<b>-</b>	<b>1,646,678,919</b>

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**(f) Capital Management**

The Credit Union's objectives when managing capital are to safeguard the Credit Union's ability to continue as a going concern.

The Credit Union defines its capital as members' share capital, institutional capital and non-institutional capital. Dividend pay-outs are made taken into account as maintenance of an adequate capital base.

The Credit Union is required by the League to maintain its institutional capital inclusive of permanent shares at a minimum of 8 % of total assets. At the statement of financial position date, this ratio was 13 % (2019: 14 %) which is in compliance with the requirements.

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

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Institutional Capital	264,173,180	263,918,316
Total Assets	2,000,751,457	1,877,774,231
Ratio	13%	14%