Independent Auditor's Report

To the Registrar of the Co-operative Societies of Insurance Employees Co-operative Credit Union

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Insurance Employees Co-operative Credit Union ("the Credit Union") set out on pages 4 to 41, which comprise the statements of financial position as at December 31,2016, 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 Company as at December 31,2016 and of financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), and the Jamaican Companies 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 Company 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.

Allowance for impairment of loans to customers

Refer to note 7 on pages 22-24.

The allowance for impairment of loans to customers is considered to be a matter of most significance as it requires the application of judgement and use of subjective assumptions by management.

Independent Auditor's Report

To the Registrar of the Co-operative Societies of Insurance Employees Co-operative Credit Union

The Credit Union records both a general provision as provided by the Jamaica Co-operative Credit Union League (JCCUL) and a specific allowance in accordance with the International Accounting Standards (IAS 39). The accumulated variance of these two (2) provisions is accumulated in Institutional Capital.

The combined loan portfolio contributes to 72% of the Credit Unions total asset.

Our audit procedures include understanding and testing of the design and operating effectiveness of the key controls over the following:

- the data interface between systems from the approval to recording and monitoring of loans
- the identification and timeliness of identifying impairment indicators

Our testing of the design and operation of the controls provided a basis for us to continue with the planned nature, timing and extent of our detailed audit procedures.

Our procedures to assess management's provision for specific allowances, included:

- gaining an understanding of the model which management uses in the provision process,
- understanding and evaluation the key assumptions made by management in determining exposure and allowance.

Overall, the results of our evaluation of the Credit Union's allowance for impairment of loans are consistent with management's assessment

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 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 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

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 Jamaican Companies 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.

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-operatives Societies Act, in the manner required

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

BOGLE & COMPANY

Chartered Accountants

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

	Notes	2016	2015
		$	$
Assets			
Non-current assets			
Earning:			
Financial investments	6	72,432,464	71,681,266
Loans, after provision for loan impairment	7	1,047,104,146	823,205,569
		1,119,536,610	894,886,835
Non-earning:			
Property, plant & equipment	8	28,401,245	25,367,574
Total non-current assets		1,147,937,855	920,254,409
Current assets			
Earning:			
Financial investments		187,896,632	256,362,192
Loans, after provision for loan impairment	7	136,306,937	200,145,731
Liquid assets	9	137,449,781	131,641,986
Cash & bank balances	10	12,356,646	9,952,618
		474,009,996	598,102,528
Non-earning:			
Accounts Receivable	11	19,182,741	18,879,519
Cash & bank balances	10	40,268,367	64,568,361
		59,451,108	83,447,880
Total current assets		533,461,104	681,550,408
Total assets		1,681,398,960	1,601,804,817

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

----------------------------------\Directors ----------------------------------\Directors

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

	Notes	2016	2015
		$	$
Equity & Liabilities			
Equity			
Permanent shares	12	24,414,464	24,881,127
Institutional capital	13	260,162,065	260,161,055
Non-institutional capital	14	120,732,103	118,495,526
Undistributed surplus	15	(17,045,834)	(11,962,743)
Total Equity		388,262,798	391,574,967
Non-current liabilities:			
Interest bearing:			
Members' shares (voluntary)		607,585,103	594,421,056
External Credit	16	74,028,305	73,846,951
Total non-current liabilities		681,613,408	668,268,007
Current liabilities			
Interest bearing:			
Savings deposits	17	590,776,387	523,886,003
		590,776,387	523,886,003
Non- interest bearing:			
Payables & accruals	18	20,746,364	18,075,842
Total current liabilities		611,522,752	541,961,845
Total Liabilities		1,293,136,162	1,210,229,852
Total Equity & Liabilities		1,681,398,960	1,601,804,817

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
AS AT DECEMBER 31, 2016

	Notes	2016	2015
		$	$
Interest income			
Interest on loans		119,541,760	118,525,017
Interest on investments		21,704,780	26,009,540
		141,246,540	144,534,557
Interest expense			
Interest on Deposits		27,832,559	26,719,582
Interest on Shares		6,086,495	8,625,709
		33,919,054	35,345,292
Net interest income		107,327,486	109,189,265
Other financial costs	19	(7,283,925)	(6,265,704)
Loan loss provision	7.ii	1,339,863	8,995,600
Net interest income after loan loss and financial cost		101,383,425	111,919,161
Miscellaneous	20	8,164,143	8,801,974
Loss on Global Fund		(517,556)	(532,695)
Dividend on shares			-
Investment Property Income		2,628,063	2,383,997
		10,274,649	10,653,275
Gross margin		111,658,073	122,572,436
Fair Value Adjustment on Foreign currency		972,041	1,344,405
Less operating expenses		112,824,682	106,127,137
Net profit		(194,567)	17,789,705
Other comprehensive Loss			
Those that might be reclassified to profit or loss in subsequent periods			
Unrealised Gain on Investment		2,109,562	-
Total comprehensive income		1,914,995	17,789,705

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2016

	Permanent Shares	Institutional Capital	Non-Institutional Capital	Undistributed Surplus/Deficit	Totals
	$	$	$	$	$
January 1, 2015	18,819,420	256,601,754	94,949,003	(672,291)	369,697,887
Total comprehensive income		-	-	17,789,705	17,789,705
Entrance fee		1,360			1,360
Statutory transfer		3,557,941		(3,557,941)	-
Loan Loss Reserve			16,842,084	(16,842,084)	-
Appropriations:					-
General Reserves			6,095,932	(6,095,932)	-
Honorarium				(1,274,200)	(1,274,200)
Receipts /transfer	6,061,707		608,507		6,670,214
Dividends	-			(1,310,000)	(1,310,000)
December 31, 2015	24,881,127	260,161,055	118,495,526	(11,962,743)	391,574,967
January 1, 2016	24,881,127	260,161,055	118,495,526	(11,962,743)	391,574,967
Total comprehensive income		-	-	1,914,995	1,914,995
Entrance fee		1,010			1,010
Statutory transfer				-	-
Loan Loss Reserve			(9,343,240)	9,343,240	-
Unrealised Holding Gain			2,109,562	(2,109,562)	-
Appropriations:					-
General Reserves			9,459,512	(9,459,512)	-
Honorarium				(1,700,000)	(1,700,000)
Receipts /transfer	(466,663)		10,744		(455,919)
Dividends	-			(3,072,252)	(3,072,252)
December 31, 2016	24,414,464	260,162,065	120,732,103	(17,045,834)	388,262,798

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF CASH FLOWS
AS AT DECEMBER 31, 2016

	2016 $	2015 $
Cash flows from operating activities		
Net Income	1,914,995	17,789,705
Adjustment to reconcile profit for the year to		
Net cash provided by operating activities		
Add depreciation	2,034,859	2,152,771
Less Interest Income	(141,246,540)	(144,534,557)
Less Unrealised Gain	(2,109,562)	-
	(139,406,249)	(124,592,082)
Other assets	(303,223)	658,863
Payables & accruals	2,851,876	(2,604,028)
Net cash flows from operating activities	(136,857,596)	(126,537,246)
Interest received	139,366,520	143,591,050
Cash flows from investing activities		
Purchase of fixed assets	(5,068,529)	(3,507,375)
Financial investments	69,380,244	(21,192,284)
Loans to members	(157,777,061)	(24,590,844)
Net cash used in investing activities	(93,465,346)	(49,290,503)
Cash flows from financing activities		
Appropriations & payments	(4,760,496)	(1,974,330)
Permanent shares	(466,664)	6,061,708
Members' shares deposits	80,054,431	74,837,122
Net cash flows from financing activities	74,827,271	78,924,499
Net cash and cash equivalents for the year	(16,129,150)	46,687,800
Cash and cash equivalents at beginning of year	206,162,965	159,475,165
Cash and cash equivalents at end of year	190,033,815	206,162,965
Represented by:		
Cash & bank balances	52,625,014	74,520,980
Liquid assets	137,408,801	131,641,986
	190,033,815	206,162,966

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

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. New and revised IFRSs in issue but not yet effective

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

Amendments to IAS 7	Disclosure Initiative[1]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 9	Financial Instruments[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
IFRS 16	Leases

[1]Effective for annual periods beginning on or after 1 January 2017.
[2]Effective for annual periods beginning on or after 1 January 2018.
[3]Effective for annual periods beginning on or after 1 January 2019.

3. Application new and revised International Financial Reporting Standards (IFRSs) effective January 1, 2016

a. Amendments to IAS 16 and 38: Clarification of acceptable methods of depreciation and amortisation

The International Accounting Standards Board (IASB) published amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.

The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

b. Disclosure Initiative (Amendments to IAS 1)

With an emphasis on materiality. Specific single disclosures that are not material do not have to be presented.

The order of notes to the financial statements is not prescribed. Instead, companies can choose their own order, and can also combine, for example, accounting policies with notes on related subjects.
It has been made explicit that companies:

- should disaggregate line items on the balance sheet and in the statement of profit or loss and other comprehensive income (OCI) if this provides helpful information to users; and
- can aggregate line items on the balance sheet if the line items specified by IAS 1 are immaterial.

Specific criteria are provided for presenting subtotals on the balance sheet and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI.

The presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows IAS 1's approach of splitting items that may, or that will never, be reclassified to profit or loss.

Application new and revised International Financial Reporting Standards (IFRSs) effective January 1, 2016 (cont'd)

c. Annual Improvements to IFRSs 2012–2014 Cycle – various standards

a. IFRS 5 Non-current Assets Held for Sale and Discontinued Operations:

IFRS 5 is amended to clarify that

i. If an entity changes the method of disposal of an asset (or disposal group) – i.e. reclassifies an asset (or disposal group) from held for distribution to owners to held for sale (or vice versa) without any time lag – then the change in classification is considered a continuation of the original plan or disposal and the entity continues to apply held for distribution or held for sale accounting. At the time of change in method, the entity measures the carrying amount of the asset (or disposal group) and recognised any write-down (impairment loss) or subsequent increase in the fair value less cost to sell/ distribute of the asset (or disposal group);

ii. If an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution account in the same way as it would cease held-for-sale accounting.

Any change in method of disposal or distribution does not extend the period in which a sale must be completed.

b. IFRS 7 Financial Instrument: Disclosures

IFRS 7 is amended to clarify when servicing arrangement are in the scope of its disclosure requirements on continuing involvements in transferred financial assets in cases when they are derecognised in their entirety. A servicer is deemed to have continued involvement if it has an interest in the future performance of the transferred asset.

This standard is also amended to clarify that the addition disclosures required by disclosures: offsetting financial asset and financial liabilities (amendments to IFRS 7) are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirement of IAS 34 Interim financial reporting require their inclusion.

Application new and revised International Financial Reporting Standards (IFRSs) effective January 1, 2016 (cont'd)

Annual Improvements to IFRSs 2012–2014 Cycle – various standards (cont'd)

a. IAS 19 Employee Benefits

IAS 19 has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid. Consequently, the depth of the market for high-quality corporate bonds should be assessed at the currency level and not at the country level.

b. IAS 34 Interim Financial Reporting

IAS 34 clarifies that certain items, if they are not included in the notes, to interim financial statement, may be disclosure "elsewhere in the interim financial report." The interim financial report is incomplete if the interim financial statement and any disclosure incorporated by cross reference are not made available to users of the interim financial statement on the same terms and at the same time.

d. Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured.

The amendments place the focus firmly on the definition of a business because this is key to determining whether the acquisition is accounted for as a business combination or as the acquisition of a collection of assets. Thus, this places pressure on the judgement applied in making this determination.

e. Equity Method in Separate Financial Statements (Amendments to IAS 27)

The amendments allow the use of the equity method in separate financial statements and apply to the accounting not only for associates and joint ventures but also for subsidiaries.

Application new and revised International Financial Reporting Standards (IFRSs) effective January 1, 2016 (cont'd)

f. **Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)**

a) **Intermediate investment entities**

Because of the amendment, intermediate investment entities are not permitted to be consolidated

b) **Intermediate parents owned by investment entities**

The amendments also make this exemption available to an intermediate held by an investment entity, even though the investment entity does not consolidate the intermediate.

c) **Interests in investment entities**

The amendment gives a non-investing entity and accounting policy choices as whether or not to pick up the investment entity's fair value accounting or pick up figures as if the investment entity had consolidated all of its subsidiaries.

4. **Use of Judgements and estimates**

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Credit Union's accounting policies and the reported amounts of assets and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that has a significant risk of resulting in a material adjustment in the year ending December 31, 2016 is set out below.

Note 5d – Financial Instruments: Recognition and Measurement

5. Summary of significant accounting policies

a. 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.

b. Reporting currency

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

c. 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:

Summary of significant accounting policies

Basis of Preparation (cont'd)

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the company 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

The principal accounting policies are set out below:

d. Financial Instruments: Recognition and Measurement

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 available-for-sale' (AFS) 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.

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 non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Summary of significant accounting policies

Financial Instruments: Recognition and Measurement (cont'd)

Available-for-sale assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed redeemable notes held by the credit union that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period.

The credit union has investments in unquoted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because the directors consider that fair value can be reliably measured).

Dividends

Dividends on AFS equity instruments are recognized in profit or loss when the Credit Union's right to receive the dividends is established.

Loan Loss Provision

At the end of the reporting period, the Credit Union assesses whether there is objective evidence that assets not carried at Fair Value Through Profit or Loss (FVTPL) are impaired. A financial asset is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition and that the loss event has an impact on future cash flows which can be estimated reliably.

Objective evidence that a financial asset is impaired includes:

- Significant difficulty of the borrower
- Default or delinquency by the borrower
- Indications that a borrower will enter bankruptcy
- Observable data relating to the asset such as adverse changes in payment status of the borrower.

The Credit Union considers evidence of impairment for loans and advances on a specific asset level.

Summary of significant accounting policies

Financial Instruments: Recognition and Measurement (cont'd)

Loan Loss Provision (cont'd)

The individual component of the total allowance for impairment applies to financial assets evaluated individually for impairment, and found to be individually impaired, and is based on management's best estimate of the present value of future cash flows that are expected to be received. In estimating these cash flows, management makes judgement about the debtor's financial situation and the net realisable value of any underlying collateral.

e. Properties, 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 company are as follows:

Building	**2.5%**
Furniture and Fixtures	**10%**
Office Equipment	**20%**
Computer	**20%**

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.

Summary of significant accounting policies (cont'd)

f. The effects of changes in foreign currency rates:

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.

g. Liquid Assets

A liquid asset an asset that can readily be converted into cash is similar to cash itself because the asset can be sold with little impact on its value. Investments are considered liquid assets because they can be readily liquidated. Generally, investments are considered liquid assets because they can be easily sold, depending on the investment. The Credit Union's fixed assets comprises interest bearing assets from the Jamaica Co-op Credit Union League (JCCUL).

h. Cash and Bank Balances

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) are classified under "Liquid Assets."

i. Revenue Recognition

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).

Summary of significant accounting policies (cont'd)

Revenue Recognition (cont'd)

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.

j. 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 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.

k. 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.

Summary of significant accounting policies (cont'd)

l. Lease arrangements

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.

m. Changes in accounting policies

Amortised cost and fair market value

In keeping with the requirements of IAS 39 *Financial Instruments: Recognition and Measurement,* Loans and advances are reported at amortised cost, and investments are reported at Fair Market Value. This reclassification, resulted in an increase in reported Net Loans and Financial Investments and a decrease in Account Receivables. This change has been treated as a change in estimate and is therefore adjusted prospectively.

6. Financial investments

The investments of the Credit Union have varying maturity dates and have been categorized in the following schedule:

	Within 3 Months	1 to 5 Years	Over 5 Years	Carrying Value 2016	Carrying Value 2015
	$	$	$	$	$
Investments available-for-sale					
Proven Wealth Limited	28,875,036			28,875,036	59,632,287
JMMB	43,291,519			43,291,519	50,691,063
First Caribbean Securities	19,396,279			19,396,279	18,487,300
Victoria Mutual Building Society-Cumbo Investment	8,073,280			8,073,280	7,744,033
Scotia Investments	7,471,437			7,471,437	6,547,411
NCB Capital Markets	71,382,520			71,382,520	75,134,116
Sagicor Investments	9,406,562			9,406,562	38,125,983
GOJ Global Fund		6,826,117	-	6,826,117	6,457,523
Government of Jamaica Securities		58,165,720	-	58,165,720	57,783,116
Unquoted investments available- for -sale					
Jamaica Co-operative Credit Union					
Voluntary Shares			1,217,700	1,217,700	1,217,700
Permanent Shares			4,349,648	4,349,648	4,349,648
Quality Network Co-operative Credit Union Limited			1,873,279	1,873,279	1,873,279
	187,896,632	64,991,837	7,440,627	260,329,097	328,043,458

The Credit Union currently holds investments which make up both level 2 and level 3 investments. These investments include short term deposits in the form of repurchase agreements, and long term investments which have been classified as securities available for sale and are reported at their fair values as at December 31, 2016. The Credit Union also has unlisted investments in the Jamaica Co-op Credit Union and Quality Network which have also been classified as available for sale investments but have been categorized as a level 3 asset due to the nature of the investments.

In keeping with Credit Union policy all investment institutions have been approved by the board of directors.

7. Loans, after provision for loan impairment

Loans originated by the credit union

	Maturity schedule					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Carrying Value	Carrying Value
	Current		Non-current		2016	2015
Loans to individuals	45,318,886	82,908,880	536,278,493	531,777,211	1,196,283,470	1,039,846,271
Accrued Interest	8,079,171				8,079,171	5,796,449
Less provision for loan loss	-	-	-	-	20,951,558	22,291,420
	53,398,057	82,908,880	536,278,493	531,777,211	1,183,411,083	1,023,351,300

The total number of loans for 2016 was 2,254 (2015: 2,081), of which there are a total of 238 non-performing loans. The credit union defines a non-performing loan as one in which interest can no long be accrued. This is for loans which are in arrears for over 90 days

The Credit Union provides for its loan loss using the loan loss provision as prescribed by IFRS 39. Each outstanding loan has been analysed by the methods prescribed by the standard and the adjustment reclassified to the loan loss reserve under non-institutional capital.

i. Movement for loan loss provision

	2016	2015
	$	$
Allowance for loan loss at the beginning of year	22,291,421	31,287,019
Reversal of provision	(771,194)	(6,785,549)
Amount recovered during the year	(568,669)	(2,210,050)
Net provision at end of year	20,951,558	22,291,421

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

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

Movement for loan loss provision (cont'd)

	Total Loan Loss Provision	Net Movement on loan impairment
As prescribed by JCCUL	43,742,559	(10,683,103)
As prescribed by IFRS	20,951,558	1,339,863
Transferred from Loan Loss Reserve	22,791,001	(40,383,011)

ii. Net movement on impairment provision

	2016 $	2015 $
Reversed during the year	(771,194)	(6,785,550)
Bad Debt Recovered	(568,669)	(2,210,050)
Charged to income and expenditure	(1,339,863)	(8,995,600)

iii. 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 2 repossessed collateral at the reporting date with a market value of $1,920,000 (2014: $4,300,000).

Members Loans (cont'd)

iv. Ageing

	2016	2015
	$	$
Neither past due nor impaired	1,137,436,445	950,762,798
Less than 2 months	9,119,678	21,615,200
2-3 Months	2,979,245	2,632,196
4-6 Months	1,680,794	6,885,481
6-12 Months	5,317,279	14,634,491
Over 12	39,750,029	43,316,104
Total Loans	1,196,283,470	1,039,846,270
Less: Allowance for impaired loans	(20,951,558)	(22,291,420)
Add: Accrued Interest	8,079,171	5,796,449
Loans after allowance for impairment losses	1,183,411,083	1,023,351,299

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

8. Property, Plant and Equipment

	Land and Building $	Furniture and Fixtures $	Office Equipment $	Computer $	Total $
Cost					
January 1, 2015	12,970,296	3,770,110	10,527,155	15,749,229	43,016,790
Additions		90,528	921,105	2,495,743	3,507,376
Balance December 31, 2015	12,970,296	3,860,638	11,448,260	18,244,971	46,524,165
January 1, 2016	12,970,296	3,860,638	11,448,260	18,244,971	46,524,165
Additions	1,679,051		230,995	3,158,483	5,068,529
Balance December 31, 2016	14,649,347	3,860,638	11,679,256	21,403,454	51,592,694
Accumulated depreciation					
January 1, 2015	2,727,237	2,282,281	6,763,456	7,230,847	19,003,820
Charge for the year	262,643	152,055	818,431	919,642	2,152,772
Balance December 31, 2015	2,989,879	2,434,336	7,581,887	8,150,489	21,156,592
January 1, 2016	2,989,879	2,434,336	7,581,887	8,150,489	21,156,592
Charge for the year	271,235	142,128	783,801	837,695	2,034,859
Balance December 31, 2016	3,261,114	2,576,464	8,365,688	8,988,184	23,191,449
Net book value					
Balance December 31, 2016	11,388,233	1,284,174	3,313,568	12,415,270	28,401,245
Balance December 31, 2015	9,980,417	1,426,302	3,866,373	10,094,482	25,367,574

Land and Building comprises land in the amount of $2,464,594 (2015: $2,464,594), which is not depreciated.

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

9. Liquid Assets

The liquid assets represent the fair value of the investments as at December 31, 2016 and are expected to mature within 3 months or less. The gain/loss on investments has been carried through the statement of comprehensive income and investment income. These investments are classified as Level 2 investments which are investments other than quoted prices investment in active markets.

	2016 $	2015 $
JCCUL - Certificate of Deposits	107,188,331	102,029,499
JCCUL - Cu-Cash Deposit	29,287,311	28,659,238
JCCUL - Settlement deposit	974,139	953,249
	137,449,781	131,641,986

10. Cash and Bank Balances

	2016 $	2015 $
Earning Assets		
Foreign exchange account - NCB	50,644	47,882
Foreign exchange account - BNS	12,306,002	9,904,736
	12,356,646	9,952,618
Non-Earning		
Petty cash	2,084	555
Cash in hand	287,131	14,926
Current Account - First Caribbean International Bank	2,775,748	3,458,822
Current Account - BNS	26,426,956	28,130,440
Current Account - NCB	3,812,704	10,309,127
Current Account - Pan Caribbean Merchant Bank	750,550	1,271,353
Current Account - JNBS	3,954,851	17,736,957
Current Account - VMBS	392,789	978,425
Current Account - RBC	1,865,554	2,667,757
	40,268,367	64,568,361

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

11. Accounts Receivable

The accounts receivable accounts represent amounts owed to the company as of December 31, 2016. There has been no provision for loss against these accounts.

	2016	2015
	$	$
Premiums Receivables	1,777,435	1,868,093
Rental Receivable	319,568	300,627
Prepayment	2,245,652	3,338,264
Security Deposit	34,188	34,188
Withholding Tax	5,103,437	4,567,960
Other receivables	9,702,462	8,770,386
	19,182,741	18,879,519

i. 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.

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

12. 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.

	2016	2015
	$	$
Permanent Shares	24,426,561	24,895,211
Permanent Shares reserve	(12,095)	(14,084)
	24,414,464	24,881,127

13. 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.

	2016	2015
	$	$
Statutory Reserve	260,150,675	260,150,675
Entrance Fees	11,390	10,380
Total	260,162,065	260,161,055

14. Non-institutional capital

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

	2016	2015
	$	$
Capital Reserve	3,000,000	3,000,000
Gain on Investment	3,704,837	1,595,276
General Reserve	90,656,520	81,197,008
Share Fund transfer reserve	579,745	569,000
Bad debt	22,791,002	32,134,242
	120,732,103	118,495,526

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. 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.

15. Undistributed Surplus

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

	2016	2015
	$	$
Undistributed Surplus	(17,045,834)	(11,962,743)
	(17,045,834)	(11,962,743)

16. External Credit

	1 to 5 Years	Over 5 Years	Carrying value	Carrying value
	Non-Current		2016	2015
	$	$	$	$
Sagicor Life Jamaica Limited	48,000,000		48,000,000	48,000,000
Guardian Life	-	25,000,000	25,000,000	25,000,000
Interest Payable			1,028,305	846,951
	48,000,000	25,000,000	74,028,305	73,846,951

i. The loan facility from Sagicor life Jamaica Limited matures 2019 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%. The Credit Union is currently in negotiations for an addition $25,000,000 at the same interest rate and security.

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

17. Members Deposits

	Within 3 Months	3 to 12 Months	Carrying value 2016	Carrying value 2015
	$	$	$	$
Term Deposit	203,645,344	274,322,843	477,968,187	408,778,788
Regular deposits	99,759,295	-	99,759,295	102,410,615
Interest Accrued on Members deposits	13,048,905		13,048,905	12,696,600
	316,453,544	274,322,843	590,776,387	523,886,003

18. Payables and Accruals

This represents the non-interest earning liabilities of the company.

	2016	2015
	$	$
Accounts Payables	5,213,505	4,357,401
Death Claims	63,704	1,028,775
Premium Payables	6,654,236	9,436,017
General Consumption Tax	132,728	44,098
Honoraria	251,001	250,001
QNET	95,251	86,997
Security Deposit	203,676	203,676
Audit Fees	1,152,541	528,802
Other payables	6,979,723	2,140,073
	20,746,364	18,075,842

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

19. Other Financing cost

	2016	2015
	$	$
Interest on Loans	2,968,928	3,090,268
Bank Charges	4,314,997	3,175,435
	7,283,925	6,265,704

20. Miscellaneous Income

	2016	2015
	$	$
Commission and Fees	1,026,431	863,897
Bill of Sale	525,743	241,500
Discount Cards	9,900	13,700
Service Charge	5,773,253	5,655,402
Other	828,817	2,027,476
	8,164,143	8,801,974

21. Contingent Liability

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.

22. Financial Risk

a. 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:

	2016	2016	2015	2015
	Fair value	Carrying value	Fair value	Carrying value
	$	$	$	$
Financial assets:				
Loans and advances	1,183,411,083	1,183,411,083	1,023,351,300	1,023,351,300
Liquid assets	190,074,795	190,074,795	206,162,966	206,162,966
Financial investments	260,329,097	260,329,097	328,043,458	328,043,458
Non-earning assets	19,182,741	19,182,741	18,879,519	18,879,519
Financial liabilities:				
Savings deposits	590,776,387	590,776,387	523,886,003	523,886,003
Members' share capital	607,585,103	607,585,103	594,421,056	1,196,133,804
Other liabilities				
Non-interest liabilities	20,746,364	20,746,364	18,075,842	18,075,842

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

Financial Risk (cont'd)

Fair Values (cont'd)

	Fair value hierarchy as at 31/12/16			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial assets				
Liquid assets		137,449,781		137,449,781
Loans and receivables:				
- loans to members	-	-	1,183,411,083	1,183,411,083
- Other receivables	-		19,182,741	19,182,741
Investments available for sale				
- Repurchase agreements		187,896,632	-	187,896,632
- Other investments		64,991,837	-	64,991,837
- Unquoted investments			7,440,627	7,440,627
	-	390,338,251	1,210,034,451	1,600,372,702
Financial liabilities				
Saving Deposits		-	590,776,387	590,776,387
Members' share capital	-	-	607,585,103	607,585,103
Loans from other entities	-	-	74,028,305	74,028,305
Trade and other payables	-	-	20,746,364	20,746,364
Total	-	-	1,293,136,160	1,293,136,160

Financial Risk (cont'd)

b. Insurance

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

- Jamaica International Insurance Company Limited, General all risk and fidelity.
- JN General Insurance Company Limited, Professional Liability.

c. 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.

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:

Financial assets	2016	2015
	$	$
Cash and Cash Equivalents	190,074,795	206,162,966
Loans and receivables (including trade receivables balance)	1,183,411,083	1,023,351,300
Available-for-sale financial assets	260,329,097	328,043,458
Financial liabilities		
Payables and Deposits	1,293,136,162	1,210,229,852

Financial Risk (cont'd)

d. Loan loss provision

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.

Provision based on the Jamaica Co-operative Credit Union League requirement
December 31, 2016

Months arrears	Number of accounts	Delinquent Loans $	Savings held $	Exposure $	Revised Provision $	%
Less than 2	36	9,119,678	6,292,527	2,827,151	-	
2-3	8	2,979,245	741,239	2,238,006	297,925	10%
4-6	8	1,680,794	106,000	1,574,794	504,238	30%
6-12	15	5,317,279	52,834	5,264,445	3,190,367	60%
over 12	151	39,750,029	1,255,940	38,494,089	39,750,029	100%
Totals	218	58,847,025	8,448,540	50,398,485	43,742,559	

	2016 $	2015 $
Balance brought forward	54,425,662	46,579,177
Increase/(decrease) in provision for loan loss	(10,683,103)	7,846,485
Balance carried forward	43,742,559	54,425,662

Financial Risk (cont'd)

e. Liquidity Risk

Liquidity risk is the risk that the Credit Union will encounter difficulty in meeting obligations for its financial liabilities. 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 1:0.87 (2015: 1:1.26). 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.

	2016	2015
	$	$
Cash resources:		
Loans (after provision for loan impairment)	136,306,937	200,145,731
Financial investments (within 3 months)	187,896,632	256,362,192
Liquid assets	137,449,781	131,641,986
Cash & bank balances	52,625,014	74,520,980
Other Liquid assets	19,182,741	18,879,519
	533,461,106	681,550,408
Saving Deposits and other payables:		
Members deposits	590,776,387	523,886,003
Payables & accruals	20,746,364	18,075,842
	611,522,752	541,961,845
Ratio	0.87	1.26

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2016

Financial Risk (cont'd)

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.

f. 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.

g. 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.

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NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2016

Financial Risk (cont'd)

Interest rate risk (cont'd)

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

	Within 3 months	3-12 Months	1-5 Years	>5 Years	No Maturity	Total
Assets						
Cash	-	-	-	-	52,625,014	52,625,014
Demand Deposits	137,449,781	-	-	-	-	137,449,781
Investments	187,896,632	-	64,991,837	7,440,627	-	260,329,097
Loan Portfolio, net	32,446,499	82,908,880	536,278,493	531,777,211	-	1,183,411,083
Fixed Assets	-	-	-	-	28,401,245	28,401,245
Other Assets	-	-	-	-	19,182,741	19,182,741
Total Assets	357,792,913	82,908,880	601,270,330	539,217,838	100,208,999	1,681,398,960
Liabilities						
Demand Savings Account	203,645,344	-	-	-	-	203,645,344
Term Deposits	112,808,200	274,322,843	-	-	-	387,131,043
Loans Payable	1,028,305	-	48,000,000	25,000,000	-	74,028,305
Other Liabilities	-	-	-	-	628,331,470	628,331,470
Total Liabilities	317,481,849	274,322,843	48,000,000	25,000,000	628,331,470	1,293,136,163
Total Equity					388,262,798	388,262,798
Total Liabilities & Equity	317,481,849	274,322,843	48,000,000	25,000,000	1,016,594,269	1,681,398,960
						-
Asset Liability Gap	40,311,063	(191,413,963)	553,270,330	514,217,838	(916,385,269)	-
						-
Cumulative Gap	40,311,063	(151,102,899)	402,167,431	916,385,269	-	-

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2016

Financial Risk (cont'd)

h. Interest rate risk (cont'd)

A 1% basis point increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates.

	Within 3 months	3-12 Months	1-5 Years	>5 Years	No Maturity	Total
Impact of 1% increase in interest rate per tenor bucket	403,111	(1,914,140)	5,532,703	5,142,178	(9,163,853)	-
Impact of 1% decrease in interest rate per tenor bucket	(403,111)	1,914,140	(5,532,703)	(5,142,178)	9,163,853	-
Impact of 1% increase in interest on cumulative gap	403,111	(1,511,029)	4,021,674	9,163,853	-	-
Impact of 1% decrease in interest rate on cumulative gap	(403,111)	1,511,029	(4,021,674)	(9,163,853)	-	-

h. 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 17 % (2015: 18 %) which is in compliance with the requirements.

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

	2016	2015
	$	$
Institutional Capital	284,576,529	285,042,183
Total Assets	1,681,398,960	1,601,804,817
Ratio	17%	18%

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23. Related Parties

At December 31, 2016, 23(2015: 18) 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:

	2016	2015
	$	$
Savings	40,262,133	37,023,735
Loans (inclusive of interest)	26,859,545	52,438,980

Relate Party transactions were made on terms equivalent to those that prevail in arm's length transactions

24. Staff Compliment

	2016	2015
Number of persons employed		
Permanent	27	27
Temporary	-	-
	27	27

25. Comparison of ledger balances

	Permanent Shares	Voluntary Shares	Deposits	Loans
	$	$	$	$
Balance as per General Ledger	24,812,561	607,585,102	576,996,653	1,196,283,471
Balance as per Members' Ledger	24,812,561	607,585,102	576,997,129	1,196,283,471
Difference	-	-	(476)	-

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26. Administrative expenses

	2016	2015
	$	$
Personnel expenses		
Salaries, allowances & statutory contributions	63,190,327	59,976,531
Staff training	1,200,261	830,397
Travelling & related expenses	793,147	493,738
	65,183,735	61,300,667
General overheads		
Audit & supervision	1,900,220	900,000
Depreciation	2,034,859	2,152,771
Donations	167,100	77,300
Office rental	1,626,007	1,447,826
Insurance premiums	5,969,233	5,838,796
FIP Expenses	855,359	698,293
Office expenses	5,928,719	4,777,025
Professional fees	2,694,216	4,090,023
Repairs & maintenance	2,053,840	1,072,769
Security and messenger service	2,654,909	2,861,267
Telephone, cable, postage & telegram	5,199,508	4,859,405
Utilities	3,414,495	3,426,378
Rates & taxes	597,178	446,455
Minimum Business tax	90,000	120,000
	35,185,643	32,768,307
Marketing & promotion	2,535,575	3,455,810
Affiliation & representation:		
Stabilization dues	1,677,461	1,546,854
League fees	3,223,610	3,022,786
Seminars and meetings	5,018,659	4,032,714
	9,919,729	8,602,354
Total operating expenses	112,824,682	106,127,137