

**INSURANCE EMPLOYEES CO-OPERATIVE
CREDIT UNION LIMITED
FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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DECEMBER 31, 2017

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**Bogle and Company**

Chartered Accountants

Worrick Bogle FCCA, FCA, CPA

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 40, which comprise the statements of financial position as at December 31, 2017, 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, 2017 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.

There were no Key Matters to note during our examination.

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

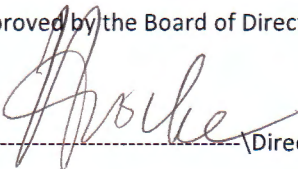
Chartered Accountants

August 21, 2018

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
		\$	\$
<u>Assets</u>			
Non-current assets			
Earning:			
Financial investments	6	82,337,686	72,432,464
Loans, after provision for loan impairment	7	<u>1,333,778,181</u>	<u>1,047,104,146</u>
		1,416,115,867	1,119,536,610
Non-earning:			
Property, plant & equipment	8	<u>29,936,998</u>	<u>28,401,245</u>
Total non-current assets		<u>1,446,052,864</u>	<u>1,147,937,855</u>
Current assets			
Earning:			
Financial investments		48,886,542	187,896,632
Loans, after provision for loan impairment	7	71,327,023	136,306,937
Liquid assets	9	143,766,950	137,449,781
Cash & bank balances	10	<u>12,058,304</u>	<u>12,356,646</u>
		<u>276,038,818</u>	<u>474,009,996</u>
Non-earning:			
Accounts Receivable	11	19,346,032	19,182,741
Cash & bank balances	10	<u>72,575,932</u>	<u>40,268,367</u>
		<u>91,921,963</u>	<u>59,451,108</u>
Total current assets		<u>367,960,781</u>	<u>533,461,104</u>
Total assets		<u>1,814,013,648</u>	<u>1,681,398,960</u>

Approved by the Board of Directors on August 21, 2018 and signed on its behalf by:


 ----- Directors


 ----- Directors

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

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	<u>Notes</u>	<u>2017</u>	<u>2016</u>
		\$	\$
<u>Equity & Liabilities</u>			
Equity			
Permanent shares	12	24,852,076	24,414,464
Institutional capital	13	260,874,731	260,545,064
Non-institutional capital	14	107,523,068	120,732,103
Undistributed deficit	15	<u>(3,176,817)</u>	<u>(17,428,833)</u>
Total Equity		<u>390,073,057</u>	<u>388,262,798</u>
Non-current liabilities:			
Interest bearing:			
Members' shares (voluntary)		653,039,678	607,585,103
External Credit	16	<u>74,033,370</u>	<u>74,028,305</u>
Total non-current liabilities		<u>727,073,048</u>	<u>681,613,408</u>
Current liabilities			
Interest bearing:			
Savings deposits	17	<u>656,781,928</u>	<u>590,776,387</u>
		656,781,928	590,776,387
Non- interest bearing:			
Payables & accruals	18	<u>40,085,613</u>	<u>20,746,364</u>
Total current liabilities		<u>696,867,540</u>	<u>611,522,752</u>
Total Liabilities		<u>1,423,940,590</u>	<u>1,293,136,162</u>
Total Equity & Liabilities		<u>1,814,013,648</u>	<u>1,681,398,960</u>

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
AS AT DECEMBER 31, 2017

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	Notes	<u>2017</u>	<u>2016</u>
		\$	\$
Interest income			
Interest on loans		135,491,399	119,541,760
Interest on investments		<u>17,963,052</u>	<u>21,704,780</u>
		<u>153,454,451</u>	<u>141,246,540</u>
<u>Interest expense</u>			
Interest on Deposits		26,672,053	27,832,559
Interest on Shares		<u>6,500,291</u>	<u>6,086,495</u>
		<u>33,172,344</u>	<u>33,919,054</u>
Net interest income		120,282,107	107,327,486
Other financial costs	19	(6,875,868)	(7,283,925)
Loan loss provision	7.ii	<u>(5,552,908)</u>	<u>1,339,863</u>
Net interest income after loan loss and financial cost		<u>107,853,332</u>	<u>101,383,425</u>
Miscellaneous	20	9,733,557	8,164,143
Loss on Global Fund		(480,087)	(517,556)
Investment Property Income		<u>2,631,206</u>	<u>2,628,063</u>
		<u>11,884,675</u>	<u>10,274,679</u>
Gross margin		119,738,007	111,658,073
Revaluation (loss)/gain on foreign currency		(291,276)	972,041
Less operating expenses		<u>119,098,346</u>	<u>112,824,682</u>
Net profit		348,385	(194,567)
<u>Other comprehensive Gain</u>			
<i>Those that might be reclassified to profit or loss in subsequent periods</i>			
Unrealised Gain on Investment		<u>1,292,199</u>	<u>2,109,562</u>
Total comprehensive income		<u><u>1,640,584</u></u>	<u><u>1,914,995</u></u>

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2017

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	Permanent Shares	Institutional Capital	Non- Institutional Capital	Undistributed Surplus/Deficit	Totals
	\$	\$	\$	\$	\$
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		382,999		(382,999)	-
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	<u>24,414,464</u>	<u>260,545,064</u>	<u>120,732,103</u>	<u>(17,428,833)</u>	<u>388,262,798</u>
January 1, 2017	24,414,464	260,545,064	120,732,103	(17,428,833)	388,262,798
Total comprehensive income		-	-	1,640,584	1,640,584
Prior period adjustment				(261,486)	(261,486)
Entrance fee		1,550			1,550
Statutory transfer		328,117		(328,117)	-
Loan Loss Reserve			2,552,600	(2,552,600)	-
Unrealised Holding Gain			1,292,199	(1,292,199)	-
Appropriations:					-
General Reserves		-	(17,045,834)	17,045,834	-
Receipts /transfer	437,611		(8,000)		429,611
December 31, 2017	<u>24,852,076</u>	<u>260,874,731</u>	<u>107,523,068</u>	<u>(3,176,817)</u>	<u>390,073,057</u>

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF CASH FLOWS
AS AT DECEMBER 31, 2017

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	<u>2017</u>	<u>2016</u>
	\$	\$
<u>Cash flows from operating activities</u>		
Total Comprehensive Income	1,640,584	1,914,995
Adjustment to reconcile profit for the year to		
Net cash provided by operating activities		
Add depreciation	1,895,871	2,034,859
Less Interest Income	(153,454,451)	(141,246,540)
Less Unrealised Gain	(1,292,199)	(2,109,562)
	<u>(151,210,195)</u>	<u>(139,406,249)</u>
Other assets	(163,291)	(303,223)
Payables & accruals	19,344,670	2,851,876
Net cash flows from operating activities	<u>(132,029,177)</u>	<u>(136,857,596)</u>
Interest received	<u>155,971,408</u>	<u>139,366,520</u>
<u>Cash flows from investing activities</u>		
Purchase of fixed assets	(3,431,624)	(5,068,529)
Financial investments	129,832,870	69,380,244
Loans to members	(223,618,602)	(157,777,061)
Net cash used in investing activities	<u>(97,217,356)</u>	<u>(93,465,346)</u>
<u>Cash flows from financing activities</u>		
Appropriations & payments	(267,934)	(4,760,496)
Permanent shares	437,612	(466,664)
Members' shares deposits	111,460,115	80,054,431
Net cash flows from financing activities	<u>111,629,794</u>	<u>74,827,271</u>
Net cash and cash equivalents for the year	38,354,669	(16,129,150)
Cash and cash equivalents at beginning of year	<u>190,033,815</u>	<u>206,162,965</u>
Cash and cash equivalents at end of year	<u><u>228,388,484</u></u>	<u><u>190,033,815</u></u>
<u>Represented by:</u>		
Cash & bank balances	84,634,236	52,625,014
Liquid assets (excluding accrued interest)	143,754,248	137,408,801
	<u><u>228,388,484</u></u>	<u><u>190,033,815</u></u>

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

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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:

IFRS 15	This standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised ¹
IFRS 9	This standard contains three principal classification categories for financial assets measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). This standard replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable adjustment as to how changes in economic factors affect ECLs. ¹
IFRS 16	This standard introduces a single, on-balance lease sheet accounting model for lessees ²

¹Effective for annual periods beginning on or after 1 January 2018.

²Effective for annual periods beginning on or after 1 January 2019.

3. Application new and revised International Financial Reporting Standards (IFRSs) effective January 1, 2017

a. Disclosure Initiative (Amendments to IAS 7)

The amendments require disclosures that enables users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

The Credit Union has evaluated this amendment and all financing activities are considered to be cash flow changes.

b. Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

The amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

The Credit Union has assessed the potential impact on its financial statements resulting from the amendments and does not expect any significant, if any at all, impact.

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, 2017 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.

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 'Bad Debt Reserve.'

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.

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

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Summary of significant accounting policies (cont'd)

I. 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.

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

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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 2017 \$	Carrying Value 2016 \$
<u>Investments available-for-sale</u>					
Proven Wealth Limited	-			-	28,875,036
JMMB	-			-	43,291,519
First Caribbean Securities	-			-	19,396,279
Victoria Mutual Building Society-Cumbo Investment	8,340,749			8,340,749	8,073,280
Scotia Investments	9,565,699			9,565,699	7,471,437
NCB Capital Markets	30,980,095			30,980,095	71,382,520
Sagcor Investments	-			-	9,406,562
GOJ Global Fund		6,507,444	-	6,507,444	6,826,117
Government of Jamaica Securities		68,389,615	-	68,359,615	58,165,720
<u>Unquoted investments available- for -sale</u>					
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
	<u>48,886,542</u>	<u>74,897,059</u>	<u>7,440,627</u>	<u>131,224,228</u>	<u>260,329,097</u>

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, 2017. 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.

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

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7. Loans, after provision for loan impairment

Loans originated by the credit union

	<u>Maturity schedule</u>				Carrying Value 2017	Carrying Value 2016
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years		
	Current		Non-current			
Loans to individuals	38,439,404	31,343,881	924,101,431	431,570,366	1,425,455,082	1,196,283,470
Accrued Interest	541,324	1,002,414	2,941,748	1,669,104	6,154,590	8,079,171
Less provision for loan loss	-	-	-	-	(26,504,468)	(20,951,558)
	<u>38,439,404</u>	<u>31,343,881</u>	<u>924,101,431</u>	<u>431,570,366</u>	<u>1,405,105,204</u>	<u>1,183,411,083</u>

The total number of loans for 2017 was 2,585 (2016: 2,254), of which there are a total of 191 non-performing loans. The credit union defines a non-performing loan as one in which interest can no longer 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

	<u>2017</u>	<u>2016</u>
	\$	\$
Allowance for loan loss at the beginning of year	20,951,559	22,291,421
Additional/(Reversal) of provision	5,903,147	(771,194)
Amount recovered during the year	<u>(350,239)</u>	<u>(568,669)</u>
Net provision at end of year	<u>26,504,468</u>	<u>20,951,558</u>

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

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	51,848,069	8,105,510
As prescribed by IFRS 39	26,504,468	(5,552,909)
Transferred from Loan Loss Reserve	25,343,601	2,552,600

ii. **Net movement on impairment provision**

	<u>2017</u>	<u>2016</u>
	\$	\$
Provided/(Reversed) during the year	5,903,147	(771,194)
Bad Debt Recovered	(350,239)	(568,669)
Charged to income and expenditure	<u>5,552,908</u>	<u>(1,339,863)</u>

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 1 repossessed collateral at the reporting date with a market value of \$2,000,000 (2016: \$1,920,000).

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

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Members Loans (cont'd)

iv. Ageing

	<u>2017</u>	<u>2016</u>
	\$	\$
Neither past due nor impaired	<u>1,350,998,614</u>	<u>1,137,436,445</u>
Less than 2 months	1,158,552	9,119,678
2-3 Months	18,176,518	2,979,245
4-6 Months	2,622,097	1,680,794
6-12 Months	8,138,783	5,317,279
Over 12	<u>44,360,518</u>	<u>39,750,029</u>
Total Loans	<u>1,425,455,082</u>	<u>1,196,283,470</u>
Less: Allowance for impaired loans	(26,504,468)	(20,951,558)
Add: Accrued Interest	6,154,590	8,079,171
Loans after allowance for impairment losses	<u>1,405,105,204</u>	<u>1,183,411,083</u>

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

8. Property, Plant and Equipment

	Land and Building \$	Furniture and Fixtures \$	Office Equipment \$	Computer \$	Total \$
<u>Cost</u>					
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	5,068,530
Balance December 31, 2016	14,649,347	3,860,638	11,679,256	21,403,454	51,592,694
January 1, 2017	14,649,347	3,860,638	11,679,256	21,403,454	51,592,694
Additions	599,797	215,814	567,214	2,048,798	3,431,624
Balance December 31, 2017	15,249,144	4,076,452	12,246,470	23,452,252	55,024,318
<u>Accumulated depreciation</u>					
January 1, 2016	2,989,879	2,434,336	7,581,887	8,150,489	21,156,591
Charge for the year	271,235	142,128	783,801	837,695	2,034,860
Balance December 31, 2016	3,261,114	2,576,464	8,365,688	8,988,184	23,191,450
January 1, 2017	3,261,114	2,576,464	8,365,688	8,988,184	23,191,450
Charge for the year	319,614	119,850	710,838	745,569	1,895,871
Balance December 31, 2017	3,580,727	2,696,314	9,076,526	9,733,753	25,087,320
<u>Net book value</u>					
Balance December 31, 2017	11,668,416	1,380,138	3,169,944	13,718,499	29,936,998
Balance December 31, 2016	11,388,233	1,284,174	3,313,568	12,415,270	28,401,245

Land and Building comprises land in the amount of \$2,464,594 (2016: \$2,464,594), which is not depreciated.

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

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9. Liquid Assets

The liquid assets represent the fair value of the investments as at December 31, 2017 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.

	<u>2017</u>	<u>2016</u>
	\$	\$
JCCUL - Certificate of Deposits	112,600,235	107,188,331
JCCUL - Cu-Cash Deposit	30,173,080	29,287,311
JCCUL - Settlement deposit	993,635	974,139
	<u>143,766,950</u>	<u>137,449,781</u>

10. Cash and Bank Balances

	<u>2017</u>	<u>2016</u>
	\$	\$
Earning Assets		
Foreign exchange account – NCB Financial Group	48,465	50,644
Foreign exchange account – Scotiabank	<u>12,009,839</u>	<u>12,306,002</u>
	<u>12,058,304</u>	<u>12,356,646</u>
Non-Earning		
Petty cash	905	2,084
Cash in hand	255,777	287,131
Current Account – CIBC First Caribbean International Bank	5,196,392	2,775,748
Current Account - Scotiabank	47,813,837	26,426,956
Current Account - NCB Financial Group	9,696,624	3,812,704
Current Account – Sagicor Group	1,801,311	750,550
Current Account – JN Group	4,850,798	3,954,851
Current Account – Victoria Mutual Group	706,723	392,789
Current Account - Sagicor Group	<u>2,253,565</u>	<u>1,865,554</u>
	<u>72,575,932</u>	<u>40,268,367</u>

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

11. Accounts Receivable

The accounts receivable accounts represent amounts owed to the company as of December 31, 2017. There has been no provision for loss against these accounts.

	<u>2017</u>	<u>2016</u>
	\$	\$
Premiums Receivables	1,777,435	1,777,435
Rental Receivable	433,267	319,568
Prepayment	1,915,033	2,245,652
Security Deposit	34,188	34,188
Withholding Tax	5,103,437	5,103,437
Other receivables	10,082,673	9,702,462
	<u>19,346,032</u>	<u>19,182,741</u>

- 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.

	<u>2017</u>	<u>2016</u>
	\$	\$
Permanent Shares	24,864,172	24,426,561
Permanent Shares reserve	(12,095)	(12,095)
	<u>24,852,076</u>	<u>24,414,464</u>

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

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.

	<u>2017</u>	<u>2016</u>
	\$	\$
Statutory Reserve	260,861,791	260,553,674
Entrance Fees	12,940	11,390
Total	<u>260,874,731</u>	<u>260,545,064</u>

14. Non-institutional capital

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

	<u>2017</u>	<u>2016</u>
	\$	\$
Capital Reserve ⁱ	3,000,000	3,000,000
Gain on Investment ⁱⁱ	4,997,036	3,704,837
General Reserve	73,610,686	90,656,520
Share Fund transfer reserve	571,744	579,745
Bad debt ⁱⁱⁱ	25,343,603	22,791,002
	<u>107,523,068</u>	<u>120,732,103</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. 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.

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

15. Undistributed Surplus

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

	<u>2017</u>	<u>2016</u>
	\$	\$
Undistributed Deficit	(3,176,817)	(17,428,833)
	(3,176,817)	(17,428,833)

16. External Credit

	1 to 5 Years	Over 5 Years	Carrying value 2017	Carrying value 2016
	Non-Current \$	\$	\$	\$
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			1,033,370	1,028,305
	48,000,000	25,000,000	74,033,370	74,028,305

- 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%.

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

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17. Members Deposits

	Within 3 Months	3 to 12 Months	Carrying value 2017	Carrying value 2016
	\$	\$	\$	\$
Term Deposit	240,656,196	290,741,851	531,398,047	477,968,187
Regular deposits	113,497,876	-	113,497,876	99,759,295
Interest Accrued on Members deposits	11,886,005	-	11,886,005	13,048,905
	<u>366,040,077</u>	<u>290,741,851</u>	<u>656,781,928</u>	<u>590,776,387</u>

18. Payables and Accruals

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

	<u>2017</u>	<u>2016</u>
	\$	\$
Accounts Payables	8,040,843	5,213,505
Death Claims	950,050	63,704
Premium Payables	7,163,512	6,654,236
General Consumption Tax	292,720	44,098
Honoraria	251,001	251,001
QNET	189,492	95,251
Security Deposit	301,417	203,676
Audit Fees	1,186,091	1,152,541
Other payables	21,710,488	6,979,723
	<u>40,085,613</u>	<u>20,746,364</u>

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
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YEAR ENDED DECEMBER 31, 2017

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19. Other Financing cost

	<u>2017</u>	<u>2016</u>
	\$	\$
Interest on Loans	2,675,942	2,968,928
Bank Charges	<u>4,199,926</u>	<u>4,314,997</u>
	<u>6,875,868</u>	<u>7,283,925</u>

20. Miscellaneous Income

	<u>2017</u>	<u>2016</u>
	\$	\$
Commission and Fees	1,072,440	1,026,431
Bill of Sale	422,243	525,743
Discount Cards	15,600	9,900
Service Charge	7,684,135	5,773,253
Other	<u>539,139</u>	<u>828,817</u>
	<u>9,733,557</u>	<u>8,164,143</u>

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.

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

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:

	<u>2017</u>	<u>2017</u>	<u>2016</u>	<u>2016</u>
	Fair value \$	Carrying value \$	Fair value \$	Carrying value \$
<u>Financial assets:</u>				
Loans and advances	1,405,105,204	1,405,105,204	1,183,411,083	1,183,411,083
Liquid assets (including cash and bank balance)	228,401,186	228,401,186	190,074,795	190,074,795
Financial investments	131,224,228	131,224,228	260,329,097	260,329,097
Non-earning assets	19,346,032	19,346,032	19,182,741	19,182,741
<u>Financial liabilities:</u>				
Savings deposits	656,781,928	656,781,928	590,776,387	590,776,387
Members' share capital	653,039,678	653,039,678	607,585,103	607,585,103
<u>Other liabilities</u>				
Non-interest liabilities	40,085,613	40,085,613	20,746,364	20,746,364

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
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Financial Risk (cont'd)

Fair Values (cont'd)

	Fair value hierarchy as at 31/12/17			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets				
<i>Liquid assets</i>		143,766,950		143,766,950
<i>Loans and receivables:</i>				
- loans to members	-	-	1,405,105,204	1,405,105,204
- Other receivables	-		19,346,032	19,346,032
<i>Investments available for sale</i>				
- Repurchase agreements		48,886,542	-	48,886,542
- Other investments		74,897,059	-	74,897,059
- Unquoted investments			7,440,627	7,440,627
	<u>-</u>	<u>267,550,550</u>	<u>1,431,891,864</u>	<u>1,699,442,414</u>
Financial liabilities				
<i>Saving Deposits</i>		-	656,781,928	656,781,928
<i>Members' share capital</i>	-	-	653,039,678	653,039,678
<i>Loans from other entities</i>	-	-	74,033,370	74,033,370
<i>Trade and other payables</i>	-	-	40,085,613	40,085,613
Total	<u>-</u>	<u>-</u>	<u>1,423,940,588</u>	<u>1,423,940,588</u>

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				
<i>Liquid assets</i>		137,449,781		137,449,781
<i>Loans and receivables:</i>				
- loans to members	-	-	1,183,411,083	1,183,411,083
- Other receivables	-		19,182,741	19,182,741
<i>Investments available for sale</i>				
- 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				
<i>Saving Deposits</i>			590,776,387	590,776,387
<i>Members' share capital</i>	-	-	607,585,103	607,585,103
<i>Loans from other entities</i>	-	-	74,028,305	74,028,305
<i>Trade and other payables</i>	-	-	20,746,364	20,746,364
Total	-	-	1,293,136,160	1,293,136,160

b. 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.

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
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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:

<i>Financial assets</i>	<u>2017</u>	<u>2016</u>
	\$	\$
Cash and Cash Equivalents	228,401,186	190,074,795
Loans and receivables (including trade receivables balance)	1,405,105,204	1,183,411,083
Available-for-sale financial assets	131,224,228	260,329,097
 <i>Financial liabilities</i>		
Payables and Deposits	1,423,940,590	1,293,136,162

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
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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, 2017

Months arrear	Number of accounts	Delinquent Loans \$	Savings held \$	Exposure \$	Revised Provision \$	%
Less than 2	2	1,158,552	721,741	436,811	-	
2-3	21	18,176,518	2,529,662	15,646,855	1,817,652	10%
4-6	8	2,622,097	315,258	2,306,836	786,629	30%
6-12	6	8,138,783	846,381	7,292,402	4,883,270	60%
over 12	156	44,360,518	2,313,126	42,047,392	44,360,518	100%
Totals	193	74,456,467	6,726,169	67,730,299	51,848,069	

	<u>2017</u>	<u>2016</u>
	\$	\$
Balance brought forward	43,742,559	54,425,662
Increase/(decrease) in provision for loan loss	<u>8,105,510</u>	<u>(10,683,103)</u>
Balance carried forward	<u>51,848,069</u>	<u>43,742,559</u>

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
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AS AT DECEMBER 31, 2017

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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 1:0.53 (2016:1:0.87). 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.

	<u>2017</u>	<u>2016</u>
	\$	\$
Cash resources:		
Loans (after provision for loan impairment)	71,327,023	136,306,937
Financial investments (within 3 months)	48,886,542	187,896,632
Liquid assets	143,766,950	137,449,781
Cash & bank balances	84,634,236	52,625,014
Accounts Receivables	19,346,032	19,182,741
	<u>367,960,783</u>	<u>533,461,106</u>
Saving Deposits and other payables:		
Members deposits	656,781,928	590,776,387
Payables & accruals	40,085,613	20,746,364
	<u>696,867,540</u>	<u>611,522,752</u>
Ratio	0.53	0.87

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
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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.

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
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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:

As at December 31, 2017

	Within 3 months	3-12 Months	1-5 Years	>5 Years	No Maturity	Total
Assets						
Cash	-	-	-	-	84,634,236	84,634,236
Demand Deposits	143,766,950	-	-	-	-	143,766,950
Investments	48,886,542	-	64,991,837	7,440,627	-	131,224,228
Loan Portfolio, net	18,089,526	31,343,881	924,101,431	431,570,366	-	1,405,105,204
Fixed Assets	-	-	-	-	29,936,998	29,936,998
Other Assets	-	-	-	-	19,346,032	19,346,032
Total Assets	210,743,018	31,343,881	998,998,490	439,010,993	133,917,266	1,814,013,648
Liabilities						
Demand Savings Account	240,656,196	-	-	-	-	240,656,196
Term Deposits	125,383,881	290,741,851	-	-	-	416,125,732
Loans Payable	1,033,370	-	48,000,000	25,000,000	-	74,033,370
Other Liabilities	-	-	-	-	693,125,294	693,125,294
Total Liabilities	367,073,446	290,741,851	48,000,000	25,000,000	693,125,294	1,423,940,591
Total Equity					390,073,057	390,073,057
Total Liabilities & Equity	367,073,446	290,741,851	48,000,000	25,000,000	1,083,198,351	1,814,013,648
Asset Liability Gap	(156,330,428)	(259,397,970)	950,998,490	414,010,993	(949,281,085)	-
Cumulative Gap	(156,330,428)	(415,728,398)	535,270,092	949,281,085	-	-

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	(1,563,304)	(2,593,890)	9,509,985	4,140,110	(9,492,811)	-
Impact of 1% decrease in interest rate per tenor bucket	1,563,304	2,593,890	(9,509,985)	(4,140,110)	9,492,811	-
Impact of 1% increase in interest on cumulative gap	(1,563,304)	(4,157,284)	5,352,701	9,492,811	-	-
Impact of 1% decrease in interest rate on cumulative gap	1,563,304	4,157,284	(5,352,701)	(9,492,811)	-	-

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Financial Risk (cont'd)

Interest rate risk (cont'd)

As at December 31, 2016

	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	-	-

	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)	-	-

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
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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 16 % (2016: 17 %) which is in compliance with the requirements.

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

	<u>2017</u>	<u>2016</u>
	\$	\$
Institutional Capital	285,726,807	284,959,529
Total Assets	1,814,013,648	1,681,398,960
Ratio	16%	17%

23. Related Parties

At December 31, 2017, 23(2016: 23) 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:

	<u>2017</u>	<u>2016</u>
	\$	\$
Savings	15,810,164	40,262,133
Loans (inclusive of interest)	24,263,701	26,859,545

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

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24. Staff Compliment

	<u>2017</u>	<u>2016</u>
Number of persons employed		
Permanent	25	27
Temporary	-	-
	<u>25</u>	<u>27</u>

25. Comparison of ledger balances

	Permanent Shares \$	Voluntary Shares \$	Deposits \$	Loans \$
Balance as per General Ledger	24,864,172	653,039,678	644,895,921	1,425,455,082
Balance as per Members' Ledger	<u>24,864,172</u>	<u>653,039,678</u>	<u>644,896,279</u>	<u>1,425,455,082</u>
Difference	<u>-</u>	<u>-</u>	<u>(358)</u>	<u>-</u>

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
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26. Administrative expenses

	<u>2017</u>	<u>2016</u>
	\$	\$
<u>Personnel expenses</u>		
Salaries, allowances & statutory contributions	69,852,052	63,190,327
Staff training	639,160	1,200,261
Travelling & related expenses	825,421	793,147
	<u>71,316,634</u>	<u>65,183,735</u>
 <u>General overheads</u>		
Audit & supervision	1,900,380	1,900,220
Depreciation	1,895,871	2,034,859
Donations	41,500	167,100
Office rental	1,587,117	1,626,007
Insurance premiums	6,479,765	5,969,233
FIP Expenses	843,978	855,359
Office expenses	4,988,100	5,928,719
Professional fees	1,968,627	2,694,216
Repairs & maintenance	1,611,623	2,053,840
Security and messenger service	2,564,287	2,654,909
Telephone, cable, postage & telegram	6,346,227	5,199,508
Utilities	3,872,773	3,414,495
Rates & taxes	647,269	597,178
Minimum Business tax	60,000	90,000
	<u>34,807,518</u>	<u>35,185,643</u>
 Marketing & promotion	<u>3,534,583</u>	<u>2,535,575</u>
 <u>Affiliation & representation:</u>		
Stabilization dues	1,797,542	1,677,461
League fees	3,382,798	3,223,610
Seminars and meetings	4,259,272	5,018,659
	<u>9,439,612</u>	<u>9,919,729</u>
 Total operating expenses	<u>119,098,346</u>	<u>112,824,682</u>