LONDON FIRE FIGHTERS CREDIT UNION LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2015

SAMUEL CHAN
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AUDITOR'S REPORT

To the Members of
LONDON FIRE FIGHTERS CREDIT UNION LIMITED
London, Ontario

I have audited the accompanying financial statements of **London Fire Fighters Credit Union Limited** which comprise of the balance sheet as at December 31, 2015, statement of adequacy reserve and retained earnings, statement of operations, statement of changes in cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The procedures selected depend on the auditor's judgment, including assessment of the risk of material misstatement on the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall performance of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion

Opinion

In my opinion, the financial statements give a true and fair view of the financial position of **London Fire Fighters Credit Union Limited** as at December 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards

London, Ontario
January 15, 2016

SAMUEL CHAN
CPA, Chartered Accountant
Licensed Public Accountant

LONDON FIRE FIGHTERS CREDIT UNION LIMITED

Balance sheet

As at December 31, 2015 Statement 1

	2015	2014
ASSETS		
Cash and receivables		
Cash and cash equivalents (note 1, 3)	**$ 822,972**	$ 1,078,721
Accrued interest	**3,462**	
Prepaid expenses	**3,855**	2,358
	830,289	1,081,079
Investments (note 4)	**230,405**	225,187
Deferred taxes (note 21)	**473**	514
Loans to members:		
Lines of credit	**97,302**	116,206
Personal loans	**2,184,693**	1,970,204
	2,281,995	2.086.410
Less allowance for doubtful loans	**(37,439)**	(37,439)
	2,244,556	2,048,971
Long- term investments (note 4)	**9,299**	8,751
Fixed assets – at cost (note 1 & 7)	**1,699**	1,427
	$ 3,316,721	$ 3,365,929
Liabilities		
Accounts payable and accrued charges	**$ 11,256**	$ 10,712
Accrued distribution payable	**29,158**	32,016
Taxes payable	**(2,954)**	(5,410)
	37,460	37,318
Deposits (note 8)	**3,012,576**	3,062,903
Membership share capital (note 9)	**135,960**	136,780
	3,148,536	3,199,683
Members' equity:		
Capital adequacy reserve (statement 2)	**38,279**	38,279
Retained earnings (statement 2)	**92,446**	90,649
	130,725	128,928
	$ 3,316,721	$ 3,365,929

Approved on behalf of the Board:

Director **Director**

(see accompanying notes)

LONDON FIRE FIGHTERS CREDIT UNION LIMITED

Statement of capital adequacy reserve and retained earnings

For the year ended December 31, 2015 Statement 2

	2015	2014
CAPITAL ADEQUACY RESERVE		
Balance, beginning of year	**$ 38,279**	$ 38,279
Balance, end of year	**$ 38,279**	$ 38,279
RETAINED EARNINGS		
Balance, beginning of year	**$ 90,649**	$ 89,759
Add: over(under) accrual of dividends net income (loss) for the year (statement 3)	**1,797**	890
Balance, end of year	**$ 92,446**	$ 90,649

(see accompanying notes)

LONDON FIRE FIGHTERS CREDIT UNION LIMITED

Statement of operations

For the year ended December 31, 2015 Statement 3

	2015		2014	
Revenue				
Interest on personal loans to members	**$ 121,059**	**87.6**	$ 114,947	83.6
Investment, interest, commissions and other income	**17,071**	**12.4**	22,527	16.4
	138,130	**100.0**	137,474	100.0
Financial Expenses				
Interest on members' deposits	**29,157**	**21.1**	32,016	23.3
Operating Spread	**108,973**	**78.9**	105,458	76.7
Remuneration to Officers and Staff				
Honoraria to officers	**4,900**		5,268	
Salaries to employees	**49,163**		56,948	
Employee benefits	**17,175**		8,120	
	71,238	**51.6**	70,336	51.2
Administrative expenses				
Annual meeting	**1,192**		1,307	
Bad debts (recovery)	**-**		-	
Bank charges & interest	**1,348**		782	
Bonding	**7,620**		8,358	
Depreciation	**531**		580	
Education & conferences	**36**		40	
FSCO fees	**200**		200	
Internet expense	**2,599**		1,265	
Member deposit insurance (DICO)	**2,905**		2,701	
Office expenses	**4,259**		5,160	
Professional services	**12,486**		12,280	
Rent	**2,115**		1,167	
Telephone	**1,083**		1,061	
	36,374	**26.3**	34,901	23.2
Total operating expenses	**107,612**	**77.9**	105,237	74.4
Net income (loss) from operations	**1,361**	**1.0**	221	.2
Other comprehensive income				
Gain on write-up of CUCO Co-op Class B Shares	**547**	**.4**	721	.5
Net income before taxes	**1,908**	**1.4**	942	.7
Provision for taxes - current	**70**			
- deferred	**41**		(52)	
	111	**.1**	(52)	
Net income for the year	**$ 1 797**	**1.3**	$ 890	.7

(See accompanying notes)

LONDON FIRE FIGHTERS CREDIT UNION LIMITED

Statement of changes in cash flows

For the year ended December 31, 2015 Statement 4

	2015	2014
Cash provided by (used in) operating activities:		
Net income (loss) for the year	$ **1.797**	$ 890
Charge to operations not requiring a current cash payment -		
Gain on CUCO Co-operative Class B Shares	**(547)**	(721)
Depreciation and amortization	**531**	580
	1.781	749
Change in non-cash working capital balances related to operations -		
Accrued interest	**(3,462)**	
Prepaid expenses	**(1,497)**	(846)
Deferred taxes	**41**	261
Accounts payable & accrued charges	**1,090**	971
Accrued distribution payable	**(2,858)**	(5,928)
Taxes payable	**2,456**	(492)
	(4,230)	(6,034)
Cash provided by (used in) operating activities:	**(2,449)**	(5,285)
Cash provided by (used in) investment activities:		
Purchase of fixed assets	**(803)**	
(Increase) decrease of investments	**(5,765)**	(999)
	(6,568)	(999)
Cash provided by (used in) financing activities:		
(Increase) decrease in lines of credit	**18,904**	11,564
(Increase) decrease in Personal Loans	**(214,489)**	(117,526)
Increase (decrease) in Deposits	**(50,327)**	207,921
Increase(decrease) in Share Capital	**(820)**	(2,654)
	(246,732)	99,305
Net increase (decrease) in cash during year	**(255,749)**	93,021
Cash resources, beginning of year	**1,078,721**	985,700
Cash resources, end of year	**$ 822,972**	$ 1,078,721

(see accompanying notes)

1. Nature of Operations and Summary of Accounting Policies

Reporting Entity

The London Fire Fighters Credit Union Limited ("the Credit Union") is incorporated under the Credit Unions and Caisses Populaires Act, 1994 ("The Act") of Ontario and is a member of Central 1 Credit Union Limited ("Central 1"). The Credit Union operates as one operating segment in the loans and deposit taking industry in Ontario. Products and services offered to its members include personal loans, and savings accounts. The Credit Union head office is located at 400 Horton Street East, London, Ontario N6B 1L7.

The Board of Directors has authorized these financial statements for issue on January 15, 2016.

Basis of Presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards board (IASB).

These financial statements are prepared under the historical cost convention as modified by the revaluation of available for sale financial assets measured at fair market value.

The Credit union's functional and presentation currency is the Canadian Dollar. The financial statements are presented in Canadian dollars.

The presentation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Credit Union's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits with banks, other short-term investments with original maturities of three months or less; and for the purpose of the statement of cash flows, bank overdrafts that are repayable on demand.

Cash and cash equivalents are classified as cash resources and are carried at cost, which is equivalent to fair value.

Investments:

Central 1 Deposits

These deposit instruments are classified as investments and are initially measured at fair market value plus transaction costs that are directly attributable to their acquisition. Subsequently they are carried at cost, which approximates fair value.

Equity Instruments

These instruments are classified as available-for-sale and are initially recognized at fair market value plus transaction costs that are directly attributable to their acquisition. Subsequently they are carried at fair value, unless they do not have quoted market price in an active market and fair value is not reliably determinable in which case they are carried at cost.

Changes in fair value, except those arising from interest calculated using the effective interest rate, are recognized as a separate component of other comprehensive income.

Where there is a significant or prolonged decline in the fair value of an equity instrument (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive income, is recognized in net income.

Purchase and sales of equity instruments are recognized on settlement date with any change in fair value between trade date and settlement date being recognized in accumulated other comprehensive income.

On sale, the amount held in accumulated other comprehensive income associated with that instrument is removed from equity and recognized as net income.

Members Loans

All members' loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been classified as loans and receivables.

Member loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred.

Member loans are subsequently measured at amortized cost, using effective interest rate method, less any impairment (losses).

Loans to members are reported at their recoverable amount representing the aggregate amount of principal, less any allowance or provision for impaired loans plus accrued interest. Interest is accounted for on the accrual basis for all loans.

If there is objective evidence that an impairment loss on member loans carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the loan's carrying amount and the present value of expected cash flows discounted at the loans original effective interest rate, short-term balances are not discounted.

The Credit Union first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and the group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which and impairment loss is or continues to be recognized are not included in a collective assessment for impairment. The expected future cash outflows for a group of financial assets with similar credit risk characteristics are estimated based on historical loss experience.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in net income.

Bad Debts Written Off

Bad debts are written off from time to time as determined by management and approved by the board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provisions for impairment, if a provision for impairment had previously been recognized. If no provision had been recognized, the write offs are recognized as expenses in net income.

Property, Plant and Equipment

Property, plant and equipment is initially recorded at cost and subsequently measures at cost less accumulated depreciation and any accumulated impairment (losses), with the exception of land which is not depreciated. Depreciation is recognized in net income and is provided on a declining balance basis over the estimated useful life of assets as follows:

Office equipment	20%
Computers	30%

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if necessary.

Impairment of Non-Financial Assets

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher value in use and the fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows.

Income taxes

Income tax expenses comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacts by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs form its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit or loss.

Recognition of deferred tax assets for unused tax (losses), tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available which allow the deferred tax asset to be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacts by the year-end date and are expected to apply when the liabilities/ (assets) are settled/(recovered).

Members Deposits

All members deposits are initially measured at fair value, net of any transaction costs directly attributable to the issuance of the instrument.

Member deposits are subsequently measured at amortized cost, using the effective interest rate method.

Accounts Payable and Other Payables

Liabilities for trade creditors and other payables are classified as other financial liabilities and initially measured at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method.

Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations, The provision is measured at the best estimate of the expenditure requires to settle the obligation at the reporting date.

Members' Shares

Members' shares issued by the Credit Union are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

Revenue Recognition

Revenue from the provision of services to members is recognized when earned, specifically when amounts are fixed or can be determined and the ability to collect is reasonable assured.

Standards, Amendments and Interpretations

Certain new standards, amendments and interpretations have been published that are mandatory for the Credit Union's accounting periods beginning after January 1, 2014 or later periods that the Credit Union has decided to adopt. The standards, amendments and interpretations that are relevant to the Credit union are:

1: IFRS 9 *Financial Instruments* is part of the ISAB wider project to replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets, amortized cost and fair value. The basis of classification depends in the entity's business model and the contractual cash flow characteristic of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2014.

2. IFRS 13 *Fair Value Measurement* defines fair value, provides guidance on the measurement of fair value and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair market value (with limited exceptions). The standard is effective for annual periods beginning on or after January 1, 2014.
3. Certain new standards, amendments and interpretations have been published that are mandatory for the Credit Union's accounting periods beginning on or after January 1, 2014 or late periods that the Credit Union has to early adopt. The Credit Union has early adopted the amendments to IFRS 1, which replaces references to a fixed date of "January 1, 2004" with the " date of transition to IFRS". This eliminates the need for the Credit Union to restate derecognition transactions that occurred before the date of transition to IFRS. The amendment is effective for year-ends beginning on or after July 1, 2014 however, the Credit Union has early adopted this amendment. The impact of the amendment and early adoption is the Credit Union applies IAS 39 derecognition requirements to transactions that occurred after the date of transition.

2. Critical Accounting Estimates and Judgments

The Credit Union makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Fair Value of Financial Instruments

The Credit Union determines the fair value of financial instruments that are not quoted on the open market, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realized immediately.

The methods and assumptions applied, and the valuation techniques used, for financial instruments that are not quoted in an active market are disclosed in Note

Member Loan Loss Provision

In determining whether an impairment loss should be recorded in the statement of comprehensive income the Credit Union makes judgment on whether objective evidence of impairment exists individually for financial assets that are individually significant. Where this does not exist the Credit Union uses its judgment to group member loans with similar credit risk characteristics to allow a collective assessment of the group to determine any impairment loss.

In determining the collective loan loss provision Management uses estimates based on historical loss experience for assets with similar credit risk characteristics and objective evidence for impairment. Further details on estimates used to determine the allowance for impaired loans collective provision are provided in Note 7.

Income Taxes

The Credit Union periodically assesses its liabilities and contingencies related to income taxes for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the Credit Union records its best estimate of the tax liability including related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

3 Cash and Cash Equivalents

The Credit Union's cash and current accounts are held at Central 1.

As a Class 1 credit union, the Credit Union must maintain liquidity reserves with Central 1 Credit union (Central 1) at 5% of the total assets at December 31, each year. The deposits can be withdrawn only if there is sufficient reduction in the Credit Union's total assets or upon withdrawal of membership from Central 1. The liquidity reserves are due within one year. At maturity, these deposits are reinvested at market rates for various terms. At December 31, 2015 the Credit Union's Cash and Cash equivalents totaled $822, 972 which met the requirements of the liquidity reserve.

4. Investments

The following table provides information on investments by type of security and issuer. The maximum exposure to credit risk would be the fair market value as detailed below:

	2015	**2014**
Liquidity reserve deposit	$202,481	$198,613

The Credit union must maintain liquidity reserves with Central 1 Credit Union (Central 1) at 5% of the total assets at December 31, each year.

Equity instruments

Details are as follows:

	2015	2014
Central 1 Liquidity Reserve	**$ 202,481**	$ 198,613
Credit Union Central of Ontario Shares		-
Central 1 Class A	**12,824**	11,474
Central 1 Class E	**15,100**	15,100
Total Equity Instruments	**$ 230,405**	$ 225,187

The Credit Union previously maintained a membership in Credit Union Central of Ontario (CUCO). As of July 31, 2008 CUCO sold substantially all of its net assets to Credit Union Central of British Columbia (CUCBC) to form a new national financial services entity named Central 1.

The shares in the Credit Union Central of Ontario (CUCO) are carried at cost and have no inherent value. This amount was written off in the 2015 fiscal year.

The shares of Central 1 are required as a condition of membership and are redeemable upon withdrawal of membership or at the discretion of the Board of Directors of Central 1. In addition, the member credit unions are subject to additional capital calls at the discretion of the Board of Directors.

Class A Central 1 shares are subject to an annual rebalancing mechanism and are issued and redeemable at par value. There is no separately quoted market value for these shares however, fair market value is determined to be equivalent to the par value due to the fact transactions occur at par value on a regular and recurring basis.

Class E Central 1 shares are issued with a par value however are redeemable at $1 at the option of Central 1. There is no separately quoted market value for these shares and the fair market value could not be measured reliably. Fair value cannot be measured reliably as the timing of the redemption of these shares cannot be determined, therefore, the range of reasonable fair market estimates is significant and the probabilities of the various estimates cannot be reasonable assessed. Therefore, they are recorded at cost.

The Class A and Class E shares are classified as Investments available for sale.

The Credit union is not intending to dispose of any Central 1 shares, as services supplied by Central 1 are relevant to the day-to-day activities of the Credit Union.

Dividends on these shares are at the discretion of the Board of Directors of Central 1.

As a condition of the sale of the assets of CUCO to CUCBC, CUCO was required to divest itself of investments in certain non-bank sponsored asset-backed commercial paper (ABCP). A resolution was approved to facilitate the sale, which created a limited partnership (ABCP 2008 LP) to acquire these investments funded by member credit union sin proportion to their share investments in CUCO.

At December 31, 2011, and December 30, 2010 an independent evaluation was completed on the underlying investment of the ABCP 2008 LP utilizing valuation techniques based on discounting expected future cash flows. The valuation was based on conditions existing on the balance sheet date. The key assumptions used were a discount rate, credit rating of investments, and the percentage probability of success of restructuring.

On June 18, 2014, credit unions voted to approve a restructuring consisting of two separate but related steps:

1. The discontinuance of Credit Union Central Of Ontario Limited ("CUCO") as a regulated financial institution under the *Credit union and Caisses Populaires Act* and it continuance as a cooperative under the *Canada Cooperatives Act.*

2. The purchase of the investment portfolio and certain other assets and liabilities of the LP by CUCO Co-op, and the subsequent dissolution of the LP.

The first step was fulfilled when CUCO officially became CUCO Co-op on August 17, 2014 on the authority of approvals received from the Financial Services commission of Ontario and from Industry Canada. Credit unions that were members of CUCO are now members of CUCO Co-op and their membership shares in the old organization automatically became membership shares of the new one.

The second step was completed on August 31, 2014 when CUCO Co-op and the LP fulfilled the terms of a purchase agreement whereby the assets were sold to CUCO co-op in exchange for Class B Investment shares.

On September 2, 2014, the LP distributed to each credit union such credit union's proportionate share of CUCO co-op Class B Investment shares. As a result of the asset sale to CUCO Co-op and this distribution, the LP now has no assets. The value previously held in the form of Credit Union's LP units has effectively been transferred to its new CUCO Co-op Class B Investment Shares and the LP units have no value.

At December 31, 2015 London Fire Fighters Credit Union Limited held 5,535,022 CUCO Co-op Class B Investment shares

During the year the Credit Union received $5,807 from CUCO co-op Class B Investment shares of which $5,807 has been recorded as a return of the initial capital invested. The CUCO Co-op Class B Investment shares are classified as available-for-sale instruments and a fair market adjustment of $721 has been recorded to other comprehensive income at December 31, 2015.

5. Member Loans

Personal Loans

	2015	2014
Lines of Credit	**$ 97,140**	$ 116,021
Personal loans	**2,182,023**	1,967,636
	2,279,163	2,083,657
Accrued interest	**2,832**	2,753
Net loans to members	**$ 2,281,995**	$ 2,086,410

Member loans are all variable in their rates of interest and mature within five or eight years.

The variable rate loans are based on a "prime rate" formula, ranging from prime to Prime plus 1.75%. The rate is determined by the type of security offered and the members' credit worthiness. The Credit Union's prime rate at December 31, 2015 was 5%.

Average Yield to Maturity

Loans bear interest at variable rates with the following average yields

	Principal	2015 Yield	Principal	2014 Yield
Lines of Credit	**$ 97,140**	**4.27%**	**$** 116,021	3.25%
Variable rate	**2,182,023**	**5.36%**	1,967,636	5.25%

Credit Quality of Loans

It is not practical to value all collateral as at the balance sheet date due to the variety of assets and conditions. A breakdown of the security held on a portfolio basis is as follows:

	2015	2014
Unsecured loans	**$ 613,338**	$ 538,362
Loans secured by real estate and chattels	**1,568,685**	1,408,342

At December 31, the amount of loans outstanding in each loan class are as follows:

Personal Loans	$2,184,693
Mortgage Loans	97,302
	$2,281,995

Fair Value

The fair value of member loans at December 31, 2015 was **$2,279,163** (December 31, 2014- $2,083,657)

The estimated fair market value of the variable rate loans is assumed to be equal to book value as the interest rates on these loans re-price to market on a periodic basis.

Concentration of Risk

The Credit Union has an exposure to groupings of individual loans, which concentrate risk and create exposure to particular segments as follows:

The individual or related groupings of members' loans, which exceed 10% 0f members equity:

	2015	**2014**
Lines of Credit	**$ 97,140**	$ 116,021
Personal loans	**2,182,023**	1,967,636

All member loans are with members located in and around London, Ontario.

6. **Allowance for impaired loans:**

The Credit Union maintains allowances for impaired loans, which reduce the carrying value of loans, identified as impaired to their estimated realizable amounts. Loans classified as impaired include loans for which interest and principal payments are ninety days past due and those considered to be impaired by management. Estimated realizable amounts are determined by discounting the expected future cash flows at the effective interest rate inherent in the loans, by estimating the fair value of security underlying the loans and deducting the cost of realization, or by estimating market prices for the loans.

Specific allowances are established for loans identified as impaired. These allowances are supplemented by general allowances for losses based on payment arrears, known risk in the portfolio, historical loan loss experience and current economic conditions and trends. The allowance for impaired loans is in accordance with the guidelines established by DICO.

Total allowance for impaired loan provision comprises:

	2015	**2014**
Collective provision	**$ 15,413**	$ 15,413
Individual specific provision	**22,026**	22,026
Total provision	**$ 37,439**	$ 37,439

The activity in the allowance for impaired account has been as follows:

	2015	**2014**
Balance, beginning of year	**$ 37,439**	$ 37,439
Balance, end of year	**$ 37,439**	$ 37,439

The Credit Union has determined the unlikely impairment loss on loans which have not maintained the loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as job losses or economic circumstances. In identifying the impairment likely from these events the Credit Union estimates the potential impairment using loan type, geographical location, type of loan security, the length of time the loans are past due and historical loss experience. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce differenced between loss estimates and actual loss experience.

An estimate of the collective provision is based on the period of repayments that are past due.

For the purposes of the collective provision loans are classified into separate groups with similar risks characteristics based on the type of product and type of security.

Loans with repayments past due but are not regarded as individually impaired and considered in determining the collective provision

	2015	**2014**
30 to 90 days	**NIL**	NIL
Over 90 Days	**$22,026**	$22,026
Balance at December 31	**$22,026**	$22,026

The Credit Union writes off to the allowance for impaired loans all amounts known not to be collectable.

The allowance for impaired loans provided for in the accounts of the Credit Union is in accordance, in all material respects, with the by-law of the Deposit Insurance Corporation of Ontario governing such allowance.

As at the fiscal year end the Credit Union calculates an allowance for loan impairment on an individual account basis in accordance with the guidelines set out in By-law #6 of the Deposit Insurance Corporation of Ontario (DICO). An amount of 100% is provided for each loan more than 90 days in arrears from the original date of advancement, less the amount of any realizable security, In addition, allowance is made for those loans, not in arrears, but the collection of which is doubtful. The total amount of impaired loans at December 31, 2015 was $22,026

The allowance recorded in the financial statements is adjusted to the required amount determined above by a charge or credit to net income for the year.

The Board of Directors has passed a resolution to establish a secondary allowance to approximate the DICO peer ratio category covering the Ontario system. At December 31, 2015, the allowance for doubtful loans conforms to this resolution.

As at December 31, 2015 there were 3 loans 90 days or more in arrears to the contract.

7. Capital Assets and Amortization:

All capital assets are carried at acquisition cost less accumulated amortization. Assets are generally amortized on the following basis:

Office Equipment	20% declining balance
Computer System	30% declining balance

Where declining balance is used, one-half the annual rate is applied in the year of acquisition**.**

	Cost	Accumulated Net Depreciation	Book Value
Furniture & fixtures	$ 4,447	$ 4,305	$ 142
Computer	40,285	38,727	1,558
	$ 44,732	**$ 43,032**	**$ 1.700**

Amortization in respect of the above assets for the year amounts to $580 (2014 - $821)

8. Members' deposits

Members' deposits are recorded at amortized cost. Interest expense is recorded using the effective interest rate method over the terms of the deposit.

	2015	2014
Savings	**$ 3,012,576**	$ 3,062,903

Fair Value

The fair value of member deposits at December 31, 2015 was $3,012,576 (December 31, 2014 - $3,062,903)

The estimated value of the demand deposits and variable rate deposits are assumed to be equal to the book value as interest rates on these loans and deposits re-price to market on a periodic basis.

9. Members' Shares

Participating Shares	Number	Amount
Fully Subscribed	666	$133,200
Under Subscribed	21	1,960
	687	135,160
Non-participating Shares	1	800
Total	**688**	**$135,960**

Terms and Conditions

Membership shares

As a condition of membership, which is required to use the services of the Credit Union, each member is required to hold $200 in membership shares. These membership shares are redeemable at par only when membership is withdrawn. Dividends are at the discretion of the Board of Directors.

Funds invested by members in member shares are not insured by DICO. The withdrawal of member shares is subject to the Credit union maintaining adequate regulatory capital, as is the payment of any dividends on these shares. Membership shares that are available for redemption are classified as a liability. Any difference between the total membership shares and the liability amount are classified as equity.
By-law 3.5 allows members to subscribe for another 100 shares for an additional value of $1000. These shares do not participate in any dividend distributions.

10. Income taxes

The Credit Union uses the asset and liability method to account for income taxes. Under the asset and liability method, future assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that included the date of enactment or substantial enactment.

11. Distribution to Members

Dividends on Membership Shares
Loan interest rebate

The Board of Directors anticipates declaring and the Credit Union has accrued a .2% dividend on the share savings accounts on amounts under $2,000 and a 1.2% dividend on amounts over $2,000. This accrual amounts to $29,158 (2014-$32,016) the actual dividend will be calculated as at December 31, 2015 and paid in the 2016 fiscal year and may differ from the accrual.

12. Reclassifications

Certain of the 2014 amounts have been reclassified to conform to the presentation adopted in 2015.

13. Commitments

The Credit Union occupies leased premises till September 30, 2017 at an annual rental of $3,000

14. Remuneration of Officers and Employees

The act requires the credit union to disclose remuneration paid during the year to officers and employees of the Credit Union whose total remuneration for the year exceeds $150,000. If there are more than five officers and employees of a credit union whose total remuneration for the year was over $150,000, the five officers and employees with the highest total remuneration for the year are disclosed. The Credit Union did not have any officers or employees that met this criteria .

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15. Related Party Transactions

The Credit Union entered into the following transactions with key personnel, which are defined by IAS 24, Related Party Disclosures, as those persons having the authority and responsibility for planning, directing and controlling the activities of the Credit union, including directors and management.

	2015	2014
Compensation		
Salaries and other short-term employee benefits	$ 66,338	$ 65,068
Loans to key management personnel		
Aggregate value of loans advanced	$106,621	$100,407
Interest received on loans	3,641	3,529
Total value of lines of credit advanced	31,364	1,276
Interest received on lines of credit advanced	1,122	134
Unused value of lines of credit	41,636	27,987

The Credit Union's policy for lending to key management personnel is that loans are approved and deposits accepted on the same terms and conditions, which apply to Members to each class of loan or deposit. Members on the Board of directors and staff are able to borrow at a rate of 2% less than prevailing rate at the time of the transaction.

	2015	2014
Deposits from key management personnel		
Aggregate value of savings deposits	$157,389	$ 200,400
Total interest paid on savings deposits	1,740	2,217

The Credit Union's policy for receiving deposits from key management personnel is that all transactions are approved and deposits accepted on the same terms and conditions, which apply to Members for each type of deposit. There are no benefits or concessional terms and conditions applicable to key management personnel or close family members.

16. Financial Instrument Risk management

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Credit Union's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensures effective implementation of the objectives and policies to the Credit Union's finance function. The Board of Directors receives monthly reports from the Credit Union's Chief Executive Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

Credit Risk

Credit risk is the risk of financial loss to the Credit Union if a counterparty to a financial instrument fails to make payments of interest and principal when due. The Credit Union is exposed to credit risk from claims against a debtor or indirectly from claims against guarantor of credit obligations.

Risk Measurement

Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. To Asses credit risk, the Credit Union takes into consideration the member's character, ability to repay, and value of collateral available to secure the loan.

The Credit Union's credit risk management principles are guided by its overall risk management principles. The Board of Directors ensure that management has a framework, and policies, processes and procedures in place to mange credit risks and the overall credit risk policies are complied with at the business and transaction level.

The Credit Union's credit risk policies set out the minimum requirements for management of credit risk in a variety of transactional and portfolio management contexts. Its credit risk policies comprise the following:

- General loan policy statements including approval of lending policies, eligibility for loans, exceptions to policy, policy violations, liquidity and loan administration;
- Loan lending limits including Board of Director limits, schedule of assigned limits and exemptions from aggregate indebtedness;
- Loan collateral security classifications which set loan classifications, advance ratios and amortization periods;

- Procedures outlining loan overdrafts, release or substitution of collateral, temporary suspension of payments and loan renegotiations;
- Loan delinquency controls regarding procedures followed for loans in arrears; and
- Audit procedures and processes are in existence for the Credit Union's lending activities.

With respect to credit risk, the Board of Directors receives monthly reports summarizing new loans, delinquent loans and overdraft utilization. The Board of Directors also receives an analysis of bad debts and allowance for doubtful loans quarterly.

For the current year, the amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated is $ NIL.

A portion of the portfolio for the loan book is secured by residential property in London, Ontario. Therefore, the Credit Union is exposed to the risks in reduction of the loan to valuation ratio (LVR) cover should the property market be subject to a decline. The risk of (losses) from loans undertaken is primarily reduced by the nature and quality of the security taken.

There have been no significant changes from the previous year in the exposure to risk policies, procedures and methods used to measure the risk.

LIQUIDITY RISK

Liquidity risk is the risk that the Credit Union will not be able to meet all cash outflow obligations as they come due. The Credit Union mitigates the risk by monitoring cash activities and expected outflows so as to meet all cash outflow obligations as they fall due.

Risk Measurement

The assessment of the Credit Union's liquidity position reflects managements' estimates, assumptions and judgments pertaining to current and prospective firm specific and market conditions and the related behavior of its members and counterparties.

Objectives, Policies and Procedures

The Credit Union's liquidity management framework is designed to ensure that adequate sources of reliable and cost effective cash or its equivalents are continually available to satisfy its current and prospective financial commitments under normal and contemplated stress conditions.

Provisions of the Credit Unions and Caisses Populaires Act require the Credit Union to maintain a prudent amount of liquid assets in order to meet member withdrawals. The credit union has set a minimum liquidity ratio of 8%.

The Credit Union manages liquidity risk by:

- Continuously monitoring actual daily cash flows and longer term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
- Monitoring the liquidity ratios monthly.

The Board of Directors receives monthly liquidity reports as well as information regarding cash balances in order for it to monitor the Credit Union's liquidity framework. The Credit Union was in compliance with the liquidity requirements throughout the fiscal year.

As at December 31, 2015, the position of the Credit Union is as follows:

	Maximum Exposure
Qualifying liquid assets on hand	
Cash	$ 822,972
Liquidity reserve deposit	202,481
	1,025,453
Total liquidity requirement	(265,337)
Excess liquidity requirement	$ 760,116

The maturities of liabilities are shown below under market risk. The Credit Union has no material commitments fro capital expenditures and there is no need for such expenditures in the normal course of business.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk, and equity risk.

INTEREST RATE RISK

Interest rate risk is the potential for financial loss caused by fluctuations in fair market value or future cash flows of financial instruments because of changes in market interest rates. The Credit Union is exposed to this risk through traditional banking activities, such as deposit taking and lending and on its investment in CUCO co-operative shares.

The Credit Union's goal is to manage the interest rate risk of the statement of financial position to a target level. The Credit Union continually monitors the effectiveness of its interest rate mitigation activities.

Risk Measurement

The Credit Union's position is measured monthly. Measurement of risk is based on rates charged to clients as well as funds transfer pricing rates.

Objectives, Policies and Procedures

The Credit Union's major source of income is financial margin, the difference between interest earned on investments and members loans and interest paid on member deposits. The objective of asset / liability management is to match interest sensitive assets with interest sensitive liabilities as to amount and as to term to their interest rate repricing dates, thus minimizing fluctuations of income during periods of changing interest rates.

Schedules of matching and interest rate vulnerability are regularly prepared and monitored by Credit Union management and reported to the Deposit Insurance Corporation of Ontario in accordance with the Credit Union's policy. This policy has been approved by the Board of Directors and filed with the Deposit Insurance Corporation of Ontario as required by Credit Union regulations. For the year ended 2015, the Credit Union was in compliance with this policy.

The following schedule shows the Credit Union's sensitivity to interest rate changes. Amounts with floating rates or due or payable on demand are classified as maturing within three months, regardless of maturity. A significant amount of loans and deposits can be settled before maturity on payment of a penalty, but no adjustment has been made for repayments that may occur prior to maturity. Amounts that are not interest sensitive have been grouped together, regardless of maturity.

Maturity dates	Assets	Yield	Liabilities	Cost	Asset/liability
(Interest sensitive)					Gap
0 – 3 years	$3,310,424	4.17	$,3,015,682	$3,015,682	$ 294,742
4 – 12 years					
1 – 2 years					
2 – 5 years					
Interest sensitive total	$3,310,424	4.17	$3,015,682	$3,015,682	$ 294,742
Non-interest sensitive					
0 – 3 years	$ 6,297	NIL	$ 301,039	$ 301,039	$ (294,742)
4 – 12 years					
1 – 2 years					
2 – 5 years					
Non-interest sensitive total	$ 6,297	NIL	$ 301,039	$ 301,039	$ (294,742)
Total	$3,316,721		$3,316,721		

Interest sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity. The credit union utilizes interest rate swaps to assist in managing this rate Gap. One of the roles of a credit union is to intermediate between the expectations of borrowers and depositors.

An analysis of the Credit Union's risk due to changes in interest rates determined that an increase in interest rates of 1% could result in an increase to net income of $2,746 while a decrease in interest rates of 1% could result in a decrease to net income of $(2,746).

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk

CURRENCY RISK

Current risk relates to the Credit Union operating in different currencies and converting non-Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.

The Credit Union does not handle any foreign currency transactions.

Risk Measurement

The Credit Union's position is measured weekly. Measurement of risk is based on rates charged to clients as well as currency purchase costs.

Objectives, Policies and Procedures

Equity Risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Credit Union is exposed to this risk through its equity holdings.

The Credit Union does not have any equity holdings.

The Credit Union's objectives with respect to capital management are to maintain a capital base that is structured to exceed regulatory requirements and to best utilize capital allocations.

The Credit Union maintains an internal policy that total members' capital as shown on the balance sheet shall not be less than 5 % of the book value of all assets.

The Credit Union considers its capital to include membership shares (member shares, patronage shares, investment shares), and undivided earnings. There have been no changes in what the Credit Union considers to be capital since the previous period.

As at December 31, 2015, the Credit Union met the capital requirements of the Act with a calculated members' capital ratio of 8.51%.

17. Regulatory capital

The Credit Union Caisses Populaires Act, 1994 requires the Credit Union to maintain regulatory capital at 5% of total assets. As of February 1, 2014, Credit Unions were reclassified as either Class 1 or Class 2. A Class 2 Credit Union is generally regarded to have assets greater than $50 million and issues commercial loans. **LONDON FIRE FIGHTERS CREDIT UNION LIMITED** is designated a Class 1 Credit Union for classification purposes. As a Class 1 credit Union, it is required to maintain adequate regulatory capital of at least 5% of its total assets.

The Credit Union is in compliance with the Act regarding regulatory capital as indicated by the table below:

	2015
Tier 1 capital	
Membership share capital	$ 135,960
Statutory reserve	38,279
Retained earnings	92,446
	266,685
Tier 2 capital	
Collective allowance for bad debts	15,413
Total Capital base	$ 282,098
% of Total Assets	
Tier 1	8.04%
Tier 2	.46%
Total	**8.50%**

18. CREDIT FACILITIES

The Credit Union has authorized lines of credit with Central 1 based on 2% of total assets with 1% allocated to an operating line and 1% allocated to a term loan line. The Current account operating lines are capped at $10 million or 2% of assets. At December 31, 2015, the authorized lines would have amounted to $63,222 but the Credit Union has not used any of these credit facilities. These credit facilities are secured by a registered assignment of book debts and a general security agreement covering all assets of the Credit Union.

19. MEMBER LOANS

The Credit Union has the following commitments to its members at the year-end date on account of loans, unused lines of credit and letters of credit:

Unadvanced loans	$ NIL
Unused lines of credit	$ 38,825
Letters of Credit	$ NIL

20. CONTRACTUAL OBLIGATIONS

The Credit Union leases land and building for the Ontario office at a yearly rental of $3,000

21. DEFERRED INCOME TAXES

At December 31, 2015 the undepreciated capital cost allowance exceeded the net book value of the Credit Unions fixed assets by $4,131. Deferred taxes of $743 were recorded in the books in relation to this timing difference.

LONDON FIRE FIGHTERS CREDIT UNION LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2015

SAMUEL CHAN
CPA, CHARTERED ACCOUNTANT

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London, Ontario N6L 1A4
Tel: (519) – 652-2737
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AUDITOR'S REPORT

To the Members of
LONDON FIRE FIGHTERS CREDIT UNION LIMITED
London, Ontario

I have audited the accompanying financial statements of **London Fire Fighters Credit Union Limited** which comprise of the balance sheet as at December 31, 2015, statement of adequacy reserve and retained earnings, statement of operations, statement of changes in cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The procedures selected depend on the auditor's judgment, including assessment of the risk of material misstatement on the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall performance of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion

Opinion

In my opinion, the financial statements give a true and fair view of the financial position of **London Fire Fighters Credit Union Limited** as at December 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards

London, Ontario
January 15, 2016

SAMUEL CHAN
CPA, Chartered Accountant
Licensed Public Accountant

LONDON FIRE FIGHTERS CREDIT UNION LIMITED

Balance sheet

As at December 31, 2015 — Statement 1

	2015	2014
ASSETS		
Cash and receivables		
Cash and cash equivalents (note 1, 3)	**$ 822,972**	$ 1,078,721
Accrued interest	**3,462**	
Prepaid expenses	**3,855**	2,358
	830,289	1,081,079
Investments (note 4)	**230,405**	225,187
Deferred taxes (note 21)	**473**	514
Loans to members:		
Lines of credit	**97,302**	116,206
Personal loans	**2,184,693**	1,970,204
	2,281,995	2.086.410
Less allowance for doubtful loans	**(37,439)**	(37,439)
	2,244,556	2,048,971
Long- term investments (note 4)	**9,299**	8,751
Fixed assets – at cost (note 1 & 7)	**1,699**	1,427
	$ 3,316,721	$ 3,365,929
Liabilities		
Accounts payable and accrued charges	**$ 11,256**	$ 10,712
Accrued distribution payable	**29,158**	32,016
Taxes payable	**(2,954)**	(5,410)
	37,460	37,318
Deposits (note 8)	**3,012,576**	3,062,903
Membership share capital (note 9)	**135,960**	136,780
	3,148,536	3,199,683
Members' equity:		
Capital adequacy reserve (statement 2)	**38,279**	38,279
Retained earnings (statement 2)	**92,446**	90,649
	130,725	128,928
	$ 3,316,721	$ 3,365,929

Approved on behalf of the Board:

Director ____________________ **Director** ____________________

(see accompanying notes)

LONDON FIRE FIGHTERS CREDIT UNION LIMITED

Statement of capital adequacy reserve and retained earnings

For the year ended December 31, 2015 Statement 2

	2015	2014
CAPITAL ADEQUACY RESERVE		
Balance, beginning of year	**$ 38,279**	$ 38,279
Balance, end of year	**$ 38,279**	$ 38,279
RETAINED EARNINGS		
Balance, beginning of year	**$ 90,649**	$ 89,759
Add: over(under) accrual of dividends		
net income (loss) for the year (statement 3)	**1,797**	890
Balance, end of year	**$ 92,446**	$ 90,649

(see accompanying notes)

LONDON FIRE FIGHTERS CREDIT UNION LIMITED

Statement of operations

For the year ended December 31, 2015 Statement 3

	2015		2014	
Revenue				
Interest on personal loans to members	**$ 121,059**	**87.6**	$ 114,947	83.6
Investment, interest, commissions and other income	**17,071**	**12.4**	22,527	16.4
	138,130	**100.0**	137,474	100.0
Financial Expenses				
Interest on members' deposits	**29,157**	**21.1**	32,016	23.3
Operating Spread	**108,973**	**78.9**	105,458	76.7
Remuneration to Officers and Staff				
Honoraria to officers	**4,900**		5,268	
Salaries to employees	**49,163**		56,948	
Employee benefits	**17,175**		8,120	
	71,238	**51.6**	70,336	51.2
Administrative expenses				
Annual meeting	**1,192**		1,307	
Bad debts (recovery)	**-**		-	
Bank charges & interest	**1,348**		782	
Bonding	**7,620**		8,358	
Depreciation	**531**		580	
Education & conferences	**36**		40	
FSCO fees	**200**		200	
Internet expense	**2,599**		1,265	
Member deposit insurance (DICO)	**2,905**		2,701	
Office expenses	**4,259**		5,160	
Professional services	**12,486**		12,280	
Rent	**2,115**		1,167	
Telephone	**1,083**		1,061	
	36,374	**26.3**	34,901	23.2
Total operating expenses	**107,612**	**77.9**	105,237	74.4
Net income (loss) from operations	**1,361**	**1.0**	221	.2
Other comprehensive income				
Gain on write-up of CUCO Co-op Class B Shares	**547**	**.4**	721	.5
Net income before taxes	**1,908**	**1.4**	942	.7
Provision for taxes - current	**70**			
- deferred	**41**		(52)	
	111	**.1**	(52)	
Net income for the year	**$ 1 797**	**1.3**	**$ 890**	**.7**

(See accompanying notes)

LONDON FIRE FIGHTERS CREDIT UNION LIMITED

Statement of changes in cash flows

For the year ended December 31, 2015 Statement 4

	2015	2014
Cash provided by (used in) operating activities:		
Net income (loss) for the year	**$ 1.797**	$ 890
Charge to operations not requiring a current cash payment -		
Gain on CUCO Co-operative Class B Shares	**(547)**	(721)
Depreciation and amortization	**531**	580
	1.781	749
Change in non-cash working capital balances related to operations -		
Accrued interest	**(3,462)**	
Prepaid expenses	**(1,497)**	(846)
Deferred taxes	**41**	261
Accounts payable & accrued charges	**1,090**	971
Accrued distribution payable	**(2,858)**	(5,928)
Taxes payable	**2,456**	(492)
	(4,230)	(6,034)
Cash provided by (used in) operating activities:	**(2,449)**	(5,285)
Cash provided by (used in) investment activities:		
Purchase of fixed assets	**(803)**	
(Increase) decrease of investments	**(5,765)**	(999)
	(6,568)	(999)
Cash provided by (used in) financing activities:		
(Increase) decrease in lines of credit	**18,904**	11,564
(Increase) decrease in Personal Loans	**(214,489)**	(117,526)
Increase (decrease) in Deposits	**(50,327)**	207,921
Increase(decrease) in Share Capital	**(820)**	(2,654)
	(246,732)	99,305
Net increase (decrease) in cash during year	**(255,749)**	93,021
Cash resources, beginning of year	**1,078,721**	985,700
Cash resources, end of year	**$ 822,972**	$ 1,078,721

(see accompanying notes)

1. Nature of Operations and Summary of Accounting Policies

Reporting Entity

The London Fire Fighters Credit Union Limited ("the Credit Union") is incorporated under the Credit Unions and Caisses Populaires Act, 1994 ("The Act") of Ontario and is a member of Central 1 Credit Union Limited ("Central 1"). The Credit Union operates as one operating segment in the loans and deposit taking industry in Ontario. Products and services offered to its members include personal loans, and savings accounts. The Credit Union head office is located at 400 Horton Street East, London, Ontario N6B 1L7.

The Board of Directors has authorized these financial statements for issue on January 15, 2016.

Basis of Presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards board (IASB).

These financial statements are prepared under the historical cost convention as modified by the revaluation of available for sale financial assets measured at fair market value.

The Credit union's functional and presentation currency is the Canadian Dollar. The financial statements are presented in Canadian dollars.

The presentation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Credit Union's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits with banks, other short-term investments with original maturities of three months or less; and for the purpose of the statement of cash flows, bank overdrafts that are repayable on demand.

Cash and cash equivalents are classified as cash resources and are carried at cost, which is equivalent to fair value.

Investments:

Central 1 Deposits

These deposit instruments are classified as investments and are initially measured at fair market value plus transaction costs that are directly attributable to their acquisition. Subsequently they are carried at cost, which approximates fair value.

Equity Instruments

These instruments are classified as available-for-sale and are initially recognized at fair market value plus transaction costs that are directly attributable to their acquisition. Subsequently they are carried at fair value, unless they do not have quoted market price in an active market and fair value is not reliably determinable in which case they are carried at cost.

Changes in fair value, except those arising from interest calculated using the effective interest rate, are recognized as a separate component of other comprehensive income.

Where there is a significant or prolonged decline in the fair value of an equity instrument (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive income, is recognized in net income.

Purchase and sales of equity instruments are recognized on settlement date with any change in fair value between trade date and settlement date being recognized in accumulated other comprehensive income.

On sale, the amount held in accumulated other comprehensive income associated with that instrument is removed from equity and recognized as net income.

Members Loans

All members' loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been classified as loans and receivables.

Member loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred.

Member loans are subsequently measured at amortized cost, using effective interest rate method, less any impairment (losses).

Loans to members are reported at their recoverable amount representing the aggregate amount of principal, less any allowance or provision for impaired loans plus accrued interest. Interest is accounted for on the accrual basis for all loans.

If there is objective evidence that an impairment loss on member loans carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the loan's carrying amount and the present value of expected cash flows discounted at the loans original effective interest rate, short-term balances are not discounted.

The Credit Union first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and the group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which and impairment loss is or continues to be recognized are not included in a collective assessment for impairment. The expected future cash outflows for a group of financial assets with similar credit risk characteristics are estimated based on historical loss experience.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in net income.

Bad Debts Written Off

Bad debts are written off from time to time as determined by management and approved by the board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provisions for impairment, if a provision for impairment had previously been recognized. If no provision had been recognized, the write offs are recognized as expenses in net income.

Property, Plant and Equipment

Property, plant and equipment is initially recorded at cost and subsequently measures at cost less accumulated depreciation and any accumulated impairment (losses), with the exception of land which is not depreciated. Depreciation is recognized in net income and is provided on a declining balance basis over the estimated useful life of assets as follows:

Office equipment	20%
Computers	30%

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if necessary.

Impairment of Non-Financial Assets

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher value in use and the fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset’s cash generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows.

Income taxes

Income tax expenses comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacts by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs form its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit or loss.

Recognition of deferred tax assets for unused tax (losses), tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available which allow the deferred tax asset to be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacts by the year-end date and are expected to apply when the liabilities/ (assets) are settled/(recovered).

Members Deposits

All members deposits are initially measured at fair value, net of any transaction costs directly attributable to the issuance of the instrument.

Member deposits are subsequently measured at amortized cost, using the effective interest rate method.

Accounts Payable and Other Payables

Liabilities for trade creditors and other payables are classified as other financial liabilities and initially measured at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method.

Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations, The provision is measured at the best estimate of the expenditure requires to settle the obligation at the reporting date.

Members' Shares

Members' shares issued by the Credit Union are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

Revenue Recognition

Revenue from the provision of services to members is recognized when earned, specifically when amounts are fixed or can be determined and the ability to collect is reasonable assured.

Standards, Amendments and Interpretations

Certain new standards, amendments and interpretations have been published that are mandatory for the Credit Union's accounting periods beginning after January 1, 2014 or later periods that the Credit Union has decided to adopt. The standards, amendments and interpretations that are relevant to the Credit union are:

1: IFRS 9 *Financial Instruments* is part of the ISAB wider project to replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets, amortized cost and fair value. The basis of classification depends in the entity's business model and the contractual cash flow characteristic of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2014.

2. IFRS 13 *Fair Value Measurement* defines fair value, provides guidance on the measurement of fair value and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair market value (with limited exceptions). The standard is effective for annual periods beginning on or after January 1, 2014.
3. Certain new standards, amendments and interpretations have been published that are mandatory for the Credit Union's accounting periods beginning on or after January 1, 2014 or late periods that the Credit Union has to early adopt. The Credit Union has early adopted the amendments to IFRS 1, which replaces references to a fixed date of "January 1, 2004" with the " date of transition to IFRS". This eliminates the need for the Credit Union to restate derecognition transactions that occurred before the date of transition to IFRS. The amendment is effective for year-ends beginning on or after July 1, 2014 however, the Credit Union has early adopted this amendment. The impact of the amendment and early adoption is the Credit Union applies IAS 39 derecognition requirements to transactions that occurred after the date of transition.

2. Critical Accounting Estimates and Judgments

The Credit Union makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Fair Value of Financial Instruments

The Credit Union determines the fair value of financial instruments that are not quoted on the open market, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realized immediately.

The methods and assumptions applied, and the valuation techniques used, for financial instruments that are not quoted in an active market are disclosed in Note

Member Loan Loss Provision

In determining whether an impairment loss should be recorded in the statement of comprehensive income the Credit Union makes judgment on whether objective evidence of impairment exists individually for financial assets that are individually significant. Where this does not exist the Credit Union uses its judgment to group member loans with similar credit risk characteristics to allow a collective assessment of the group to determine any impairment loss.

In determining the collective loan loss provision Management uses estimates based on historical loss experience for assets with similar credit risk characteristics and objective evidence for impairment. Further details on estimates used to determine the allowance for impaired loans collective provision are provided in Note 7.

Income Taxes

The Credit Union periodically assesses its liabilities and contingencies related to income taxes for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the Credit Union records its best estimate of the tax liability including related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

3 Cash and Cash Equivalents

The Credit Union’s cash and current accounts are held at Central 1.

As a Class 1 credit union, the Credit Union must maintain liquidity reserves with Central 1 Credit union (Central 1) at 5% of the total assets at December 31, each year. The deposits can be withdrawn only if there is sufficient reduction in the Credit Union’s total assets or upon withdrawal of membership from Central 1. The liquidity reserves are due within one year. At maturity, these deposits are reinvested at market rates for various terms. At December 31, 2015 the Credit Union's Cash and Cash equivalents totaled $822, 972 which met the requirements of the liquidity reserve.

4. Investments

The following table provides information on investments by type of security and issuer. The maximum exposure to credit risk would be the fair market value as detailed below:

	2015	**2014**
Liquidity reserve deposit	$202,481	$198,613

The Credit union must maintain liquidity reserves with Central 1 Credit Union (Central 1) at 5% of the total assets at December 31, each year.

Equity instruments

Details are as follows:

	2015	2014
Central 1 Liquidity Reserve	**$ 202,481**	$ 198,613
Credit Union Central of Ontario Shares		-
Central 1 Class A	**12,824**	11,474
Central 1 Class E	**15,100**	15,100
Total Equity Instruments	**$ 230,405**	$ 225,187

The Credit Union previously maintained a membership in Credit Union Central of Ontario (CUCO). As of July 31, 2008 CUCO sold substantially all of its net assets to Credit Union Central of British Columbia (CUCBC) to form a new national financial services entity named Central 1.

The shares in the Credit Union Central of Ontario (CUCO) are carried at cost and have no inherent value. This amount was written off in the 2015 fiscal year.

The shares of Central 1 are required as a condition of membership and are redeemable upon withdrawal of membership or at the discretion of the Board of Directors of Central 1. In addition, the member credit unions are subject to additional capital calls at the discretion of the Board of Directors.

Class A Central 1 shares are subject to an annual rebalancing mechanism and are issued and redeemable at par value. There is no separately quoted market value for these shares however, fair market value is determined to be equivalent to the par value due to the fact transactions occur at par value on a regular and recurring basis.

Class E Central 1 shares are issued with a par value however are redeemable at $1 at the option of Central 1. There is no separately quoted market value for these shares and the fair market value could not be measured reliably. Fair value cannot be measured reliably as the timing of the redemption of these shares cannot be determined, therefore, the range of reasonable fair market estimates is significant and the probabilities of the various estimates cannot be reasonable assessed. Therefore, they are recorded at cost.

The Class A and Class E shares are classified as Investments available for sale.

The Credit union is not intending to dispose of any Central 1 shares, as services supplied by Central 1 are relevant to the day-to-day activities of the Credit Union.

Dividends on these shares are at the discretion of the Board of Directors of Central 1.

As a condition of the sale of the assets of CUCO to CUCBC, CUCO was required to divest itself of investments in certain non-bank sponsored asset-backed commercial paper (ABCP). A resolution was approved to facilitate the sale, which created a limited partnership (ABCP 2008 LP) to acquire these investments funded by member credit union sin proportion to their share investments in CUCO.

At December 31, 2011, and December 30, 2010 an independent evaluation was completed on the underlying investment of the ABCP 2008 LP utilizing valuation techniques based on discounting expected future cash flows. The valuation was based on conditions existing on the balance sheet date. The key assumptions used were a discount rate, credit rating of investments, and the percentage probability of success of restructuring.

On June 18, 2014, credit unions voted to approve a restructuring consisting of two separate but related steps:

1. The discontinuance of Credit Union Central Of Ontario Limited ("CUCO") as a regulated financial institution under the *Credit union and Caisses Populaires Act* and it continuance as a cooperative under the *Canada Cooperatives Act.*

2. The purchase of the investment portfolio and certain other assets and liabilities of the LP by CUCO Co-op, and the subsequent dissolution of the LP.

The first step was fulfilled when CUCO officially became CUCO Co-op on August 17, 2014 on the authority of approvals received from the Financial Services commission of Ontario and from Industry Canada. Credit unions that were members of CUCO are now members of CUCO Co-op and their membership shares in the old organization automatically became membership shares of the new one.

The second step was completed on August 31, 2014 when CUCO Co-op and the LP fulfilled the terms of a purchase agreement whereby the assets were sold to CUCO co-op in exchange for Class B Investment shares.

On September 2, 2014, the LP distributed to each credit union such credit union's proportionate share of CUCO co-op Class B Investment shares. As a result of the asset sale to CUCO Co-op and this distribution, the LP now has no assets. The value previously held in the form of Credit Union's LP units has effectively been transferred to its new CUCO Co-op Class B Investment Shares and the LP units have no value.

At December 31, 2015 London Fire Fighters Credit Union Limited held 5,535,022 CUCO Co-op Class B Investment shares

During the year the Credit Union received $5,807 from CUCO co-op Class B Investment shares of which $5,807 has been recorded as a return of the initial capital invested. The CUCO Co-op Class B Investment shares are classified as available-for-sale instruments and a fair market adjustment of $721 has been recorded to other comprehensive income at December 31, 2015.

5. Member Loans

Personal Loans

	2015	2014
Lines of Credit	**$ 97,140**	$ 116,021
Personal loans	**2,182,023**	1,967,636
	2,279,163	2,083,657
Accrued interest	**2,832**	2,753
Net loans to members	**$ 2,281,995**	$ 2,086,410

Member loans are all variable in their rates of interest and mature within five or eight years.

The variable rate loans are based on a "prime rate" formula, ranging from prime to Prime plus 1.75%. The rate is determined by the type of security offered and the members' credit worthiness. The Credit Union's prime rate at December 31, 2015 was 5%.

Average Yield to Maturity

Loans bear interest at variable rates with the following average yields

	Principal	2015 Yield	Principal	2014 Yield
Lines of Credit	**$ 97,140**	**4.27%**	**$** 116,021	3.25%
Variable rate	**2,182,023**	**5.36%**	1,967,636	5.25%

Credit Quality of Loans

It is not practical to value all collateral as at the balance sheet date due to the variety of assets and conditions. A breakdown of the security held on a portfolio basis is as follows:

	2015	2014
Unsecured loans	**$ 613,338**	$ 538,362
Loans secured by real estate and chattels	**1,568,685**	1,408,342

At December 31, the amount of loans outstanding in each loan class are as follows:

Personal Loans	$2,184,693
Mortgage Loans	97,302
	$2,281,995

Fair Value

The fair value of member loans at December 31, 2015 was **$2,279,163** (December 31, 2014- $2,083,657)

The estimated fair market value of the variable rate loans is assumed to be equal to book value as the interest rates on these loans re-price to market on a periodic basis.

Concentration of Risk

The Credit Union has an exposure to groupings of individual loans, which concentrate risk and create exposure to particular segments as follows:

The individual or related groupings of members' loans, which exceed 10% 0f members equity:

	2015	**2014**
Lines of Credit	**$ 97,140**	$ 116,021
Personal loans	**2,182,023**	1,967,636

All member loans are with members located in and around London, Ontario.

6. **Allowance for impaired loans:**

The Credit Union maintains allowances for impaired loans, which reduce the carrying value of loans, identified as impaired to their estimated realizable amounts. Loans classified as impaired include loans for which interest and principal payments are ninety days past due and those considered to be impaired by management. Estimated realizable amounts are determined by discounting the expected future cash flows at the effective interest rate inherent in the loans, by estimating the fair value of security underlying the loans and deducting the cost of realization, or by estimating market prices for the loans.

Specific allowances are established for loans identified as impaired. These allowances are supplemented by general allowances for losses based on payment arrears, known risk in the portfolio, historical loan loss experience and current economic conditions and trends. The allowance for impaired loans is in accordance with the guidelines established by DICO.

Total allowance for impaired loan provision comprises:

	2015	**2014**
Collective provision	**$ 15,413**	$ 15,413
Individual specific provision	**22,026**	22,026
Total provision	**$ 37,439**	$ 37,439

The activity in the allowance for impaired account has been as follows:

	2015	**2014**
Balance, beginning of year	**$ 37,439**	$ 37,439
Balance, end of year	**$ 37,439**	$ 37,439

The Credit Union has determined the unlikely impairment loss on loans which have not maintained the loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as job losses or economic circumstances. In identifying the impairment likely from these events the Credit Union estimates the potential impairment using loan type, geographical location, type of loan security, the length of time the loans are past due and historical loss experience. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce differenced between loss estimates and actual loss experience.

An estimate of the collective provision is based on the period of repayments that are past due.

For the purposes of the collective provision loans are classified into separate groups with similar risks characteristics based on the type of product and type of security.

Loans with repayments past due but are not regarded as individually impaired and considered in determining the collective provision

	2015	2014
30 to 90 days	**NIL**	NIL
Over 90 Days	**$22,026**	$22,026
Balance at December 31	**$22,026**	$22,026

The Credit Union writes off to the allowance for impaired loans all amounts known not to be collectable.

The allowance for impaired loans provided for in the accounts of the Credit Union is in accordance, in all material respects, with the by-law of the Deposit Insurance Corporation of Ontario governing such allowance.

As at the fiscal year end the Credit Union calculates an allowance for loan impairment on an individual account basis in accordance with the guidelines set out in By-law #6 of the Deposit Insurance Corporation of Ontario (DICO). An amount of 100% is provided for each loan more than 90 days in arrears from the original date of advancement, less the amount of any realizable security, In addition, allowance is made for those loans, not in arrears, but the collection of which is doubtful. The total amount of impaired loans at December 31, 2015 was $22,026

The allowance recorded in the financial statements is adjusted to the required amount determined above by a charge or credit to net income for the year.

The Board of Directors has passed a resolution to establish a secondary allowance to approximate the DICO peer ratio category covering the Ontario system. At December 31, 2015, the allowance for doubtful loans conforms to this resolution.

As at December 31, 2015 there were 3 loans 90 days or more in arrears to the contract.

7. Capital Assets and Amortization:

All capital assets are carried at acquisition cost less accumulated amortization. Assets are generally amortized on the following basis:

Office Equipment	20% declining balance
Computer System	30% declining balance

Where declining balance is used, one-half the annual rate is applied in the year of acquisition.

	Accumulated Cost	Net Depreciation	Book Value
Furniture & fixtures	$ 4,447	$ 4,305	$ 142
Computer	40,285	38,727	1,558
	$ 44,732	**$ 43,032**	**$ 1.700**

Amortization in respect of the above assets for the year amounts to $580 (2014 - $821)

8. Members' deposits

Members' deposits are recorded at amortized cost. Interest expense is recorded using the effective interest rate method over the terms of the deposit.

	2015	2014
Savings	**$ 3,012,576**	$ 3,062,903

Fair Value

The fair value of member deposits at December 31, 2015 was $3,012,576 (December 31, 2014 - $3,062,903)

The estimated value of the demand deposits and variable rate deposits are assumed to be equal to the book value as interest rates on these loans and deposits re-price to market on a periodic basis.

9. Members' Shares

Participating Shares	Number	Amount
Fully Subscribed	666	$133,200
Under Subscribed	21	1,960
	687	135,160
Non-participating Shares	1	800
Total	**688**	**$135,960**

Terms and Conditions

Membership shares

As a condition of membership, which is required to use the services of the Credit Union, each member is required to hold $200 in membership shares. These membership shares are redeemable at par only when membership is withdrawn. Dividends are at the discretion of the Board of Directors.

Funds invested by members in member shares are not insured by DICO. The withdrawal of member shares is subject to the Credit union maintaining adequate regulatory capital, as is the payment of any dividends on these shares. Membership shares that are available for redemption are classified as a liability. Any difference between the total membership shares and the liability amount are classified as equity.
By-law 3.5 allows members to subscribe for another 100 shares for an additional value of $1000. These shares do not participate in any dividend distributions.

10. Income taxes

The Credit Union uses the asset and liability method to account for income taxes. Under the asset and liability method, future assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that included the date of enactment or substantial enactment.

11. Distribution to Members

Dividends on Membership Shares
Loan interest rebate

The Board of Directors anticipates declaring and the Credit Union has accrued a .2% dividend on the share savings accounts on amounts under $2,000 and a 1.2% dividend on amounts over $2,000. This accrual amounts to $29,158 (2014-$32,016) the actual dividend will be calculated as at December 31, 2015 and paid in the 2016 fiscal year and may differ from the accrual.

12. Reclassifications

Certain of the 2014 amounts have been reclassified to conform to the presentation adopted in 2015.

13. Commitments

The Credit Union occupies leased premises till September 30, 2017 at an annual rental of $3,000

14. Remuneration of Officers and Employees

The act requires the credit union to disclose remuneration paid during the year to officers and employees of the Credit Union whose total remuneration for the year exceeds $150,000. If there are more than five officers and employees of a credit union whose total remuneration for the year was over $150,000, the five officers and employees with the highest total remuneration for the year are disclosed. The Credit Union did not have any officers or employees that met this criteria .

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15. Related Party Transactions

The Credit Union entered into the following transactions with key personnel, which are defined by IAS 24, Related Party Disclosures, as those persons having the authority and responsibility for planning, directing and controlling the activities of the Credit union, including directors and management.

	2015	**2014**
Compensation		
Salaries and other short-term employee benefits	$ 66,338	$ 65,068
Loans to key management personnel		
Aggregate value of loans advanced	$106,621	$100,407
Interest received on loans	3,641	3,529
Total value of lines of credit advanced	31,364	1,276
Interest received on lines of credit advanced	1,122	134
Unused value of lines of credit	41,636	27,987

The Credit Union's policy for lending to key management personnel is that loans are approved and deposits accepted on the same terms and conditions, which apply to Members to each class of loan or deposit. Members on the Board of directors and staff are able to borrow at a rate of 2% less than prevailing rate at the time of the transaction.

	2015	**2014**
Deposits from key management personnel		
Aggregate value of savings deposits	$157,389	$ 200,400
Total interest paid on savings deposits	1,740	2,217

The Credit Union's policy for receiving deposits from key management personnel is that all transactions are approved and deposits accepted on the same terms and conditions, which apply to Members for each type of deposit. There are no benefits or concessional terms and conditions applicable to key management personnel or close family members.

16. Financial Instrument Risk management

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Credit Union's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensures effective implementation of the objectives and policies to the Credit Union's finance function. The Board of Directors receives monthly reports from the Credit Union's Chief Executive Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

Credit Risk

Credit risk is the risk of financial loss to the Credit Union if a counterparty to a financial instrument fails to make payments of interest and principal when due. The Credit Union is exposed to credit risk from claims against a debtor or indirectly from claims against guarantor of credit obligations.

Risk Measurement

Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. To Asses credit risk, the Credit Union takes into consideration the member's character, ability to repay, and value of collateral available to secure the loan.

The Credit Union's credit risk management principles are guided by its overall risk management principles. The Board of Directors ensure that management has a framework, and policies, processes and procedures in place to mange credit risks and the overall credit risk policies are complied with at the business and transaction level.

The Credit Union's credit risk policies set out the minimum requirements for management of credit risk in a variety of transactional and portfolio management contexts. Its credit risk policies comprise the following:

- General loan policy statements including approval of lending policies, eligibility for loans, exceptions to policy, policy violations, liquidity and loan administration;
- Loan lending limits including Board of Director limits, schedule of assigned limits and exemptions from aggregate indebtedness;
- Loan collateral security classifications which set loan classifications, advance ratios and amortization periods;

- Procedures outlining loan overdrafts, release or substitution of collateral, temporary suspension of payments and loan renegotiations;
- Loan delinquency controls regarding procedures followed for loans in arrears; and
- Audit procedures and processes are in existence for the Credit Union's lending activities.

With respect to credit risk, the Board of Directors receives monthly reports summarizing new loans, delinquent loans and overdraft utilization. The Board of Directors also receives an analysis of bad debts and allowance for doubtful loans quarterly.

For the current year, the amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated is $ NIL.

A portion of the portfolio for the loan book is secured by residential property in London, Ontario. Therefore, the Credit Union is exposed to the risks in reduction of the loan to valuation ratio (LVR) cover should the property market be subject to a decline. The risk of (losses) from loans undertaken is primarily reduced by the nature and quality of the security taken.

There have been no significant changes from the previous year in the exposure to risk policies, procedures and methods used to measure the risk.

LIQUIDITY RISK

Liquidity risk is the risk that the Credit Union will not be able to meet all cash outflow obligations as they come due. The Credit Union mitigates the risk by monitoring cash activities and expected outflows so as to meet all cash outflow obligations as they fall due.

Risk Measurement

The assessment of the Credit Union's liquidity position reflects managements' estimates, assumptions and judgments pertaining to current and prospective firm specific and market conditions and the related behavior of its members and counterparties.

Objectives, Policies and Procedures

The Credit Union's liquidity management framework is designed to ensure that adequate sources of reliable and cost effective cash or its equivalents are continually available to satisfy its current and prospective financial commitments under normal and contemplated stress conditions.

Provisions of the Credit Unions and Caisses Populaires Act require the Credit Union to maintain a prudent amount of liquid assets in order to meet member withdrawals. The credit union has set a minimum liquidity ratio of 8%.

The Credit Union manages liquidity risk by:

- Continuously monitoring actual daily cash flows and longer term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
- Monitoring the liquidity ratios monthly.

The Board of Directors receives monthly liquidity reports as well as information regarding cash balances in order for it to monitor the Credit Union's liquidity framework. The Credit Union was in compliance with the liquidity requirements throughout the fiscal year.

As at December 31, 2015, the position of the Credit Union is as follows:

	Maximum Exposure
Qualifying liquid assets on hand	
Cash	$ 822,972
Liquidity reserve deposit	202,481
	1,025,453
Total liquidity requirement	(265,337)
Excess liquidity requirement	$ 760,116

The maturities of liabilities are shown below under market risk. The Credit Union has no material commitments fro capital expenditures and there is no need for such expenditures in the normal course of business.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk, and equity risk.

INTEREST RATE RISK

Interest rate risk is the potential for financial loss caused by fluctuations in fair market value or future cash flows of financial instruments because of changes in market interest rates. The Credit Union is exposed to this risk through traditional banking activities, such as deposit taking and lending and on its investment in CUCO co-operative shares.

The Credit Union's goal is to manage the interest rate risk of the statement of financial position to a target level. The Credit Union continually monitors the effectiveness of its interest rate mitigation activities.

Risk Measurement

The Credit Union's position is measured monthly. Measurement of risk is based on rates charged to clients as well as funds transfer pricing rates.

Objectives, Policies and Procedures

The Credit Union's major source of income is financial margin, the difference between interest earned on investments and members loans and interest paid on member deposits. The objective of asset / liability management is to match interest sensitive assets with interest sensitive liabilities as to amount and as to term to their interest rate repricing dates, thus minimizing fluctuations of income during periods of changing interest rates.

Schedules of matching and interest rate vulnerability are regularly prepared and monitored by Credit Union management and reported to the Deposit Insurance Corporation of Ontario in accordance with the Credit Union's policy. This policy has been approved by the Board of Directors and filed with the Deposit Insurance Corporation of Ontario as required by Credit Union regulations. For the year ended 2015, the Credit Union was in compliance with this policy.

The following schedule shows the Credit Union's sensitivity to interest rate changes. Amounts with floating rates or due or payable on demand are classified as maturing within three months, regardless of maturity. A significant amount of loans and deposits can be settled before maturity on payment of a penalty, but no adjustment has been made for repayments that may occur prior to maturity. Amounts that are not interest sensitive have been grouped together, regardless of maturity.

Maturity dates	Assets	**Yield**	**Liabilities**	**Cost**	**Asset/liability**
(Interest sensitive)					**Gap**
0 – 3 years	$3,310,424	4.17	$,3,015,682	$3,015,682	$ 294,742
4 – 12 years					
1 – 2 years					
2 – 5 years					
Interest sensitive total	$3,310,424	4.17	$3,015,682	$3,015,682	$ 294,742
Non-interest sensitive					
0 – 3 years	$ 6,297	NIL	$ 301,039	$ 301,039	$ (294,742)
4 – 12 years					
1 – 2 years					
2 – 5 years					
Non-interest sensitive total	$ 6,297	NIL	$ 301,039	$ 301,039	$ (294,742)
Total	$3,316,721		$3,316,721		

Interest sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity. The credit union utilizes interest rate swaps to assist in managing this rate Gap. One of the roles of a credit union is to intermediate between the expectations of borrowers and depositors.

An analysis of the Credit Union's risk due to changes in interest rates determined that an increase in interest rates of 1% could result in an increase to net income of $2,746 while a decrease in interest rates of 1% could result in a decrease to net income of $(2,746).

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk

CURRENCY RISK

Current risk relates to the Credit Union operating in different currencies and converting non-Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.

The Credit Union does not handle any foreign currency transactions.

Risk Measurement

The Credit Union's position is measured weekly. Measurement of risk is based on rates charged to clients as well as currency purchase costs.

Objectives, Policies and Procedures

Equity Risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Credit Union is exposed to this risk through its equity holdings.

The Credit Union does not have any equity holdings.

The Credit Union's objectives with respect to capital management are to maintain a capital base that is structured to exceed regulatory requirements and to best utilize capital allocations.

The Credit Union maintains an internal policy that total members' capital as shown on the balance sheet shall not be less than 5 % of the book value of all assets.

The Credit Union considers its capital to include membership shares (member shares, patronage shares, investment shares), and undivided earnings. There have been no changes in what the Credit Union considers to be capital since the previous period.

As at December 31, 2015, the Credit Union met the capital requirements of the Act with a calculated members' capital ratio of 8.51%.

17. Regulatory capital

The Credit Union Caisses Populaires Act, 1994 requires the Credit Union to maintain regulatory capital at 5% of total assets. As of February 1, 2014, Credit Unions were reclassified as either Class 1 or Class 2. A Class 2 Credit Union is generally regarded to have assets greater than $50 million and issues commercial loans. **LONDON FIRE FIGHTERS CREDIT UNION LIMITED** is designated a Class 1 Credit Union for classification purposes. As a Class 1 credit Union, it is required to maintain adequate regulatory capital of at least 5% of its total assets.

The Credit Union is in compliance with the Act regarding regulatory capital as indicated by the table below:

	2015
Tier 1 capital	
Membership share capital	$ 135,960
Statutory reserve	38,279
Retained earnings	92,446
	266,685
Tier 2 capital	
Collective allowance for bad debts	15,413
Total Capital base	$ 282,098
% of Total Assets	
Tier 1	8.04%
Tier 2	.46%
Total	**8.50%**

18. CREDIT FACILITIES

The Credit Union has authorized lines of credit with Central 1 based on 2% of total assets with 1% allocated to an operating line and 1% allocated to a term loan line. The Current account operating lines are capped at $10 million or 2% of assets. At December 31, 2015, the authorized lines would have amounted to $63,222 but the Credit Union has not used any of these credit facilities. These credit facilities are secured by a registered assignment of book debts and a general security agreement covering all assets of the Credit Union.

19. MEMBER LOANS

The Credit Union has the following commitments to its members at the year-end date on account of loans, unused lines of credit and letters of credit:

Unadvanced loans	$ NIL
Unused lines of credit	$ 38,825
Letters of Credit	$ NIL

20. CONTRACTUAL OBLIGATIONS

The Credit Union leases land and building for the Ontario office at a yearly rental of $3,000

21. DEFERRED INCOME TAXES

At December 31, 2015 the undepreciated capital cost allowance exceeded the net book value of the Credit Unions fixed assets by $4,131. Deferred taxes of $743 were recorded in the books in relation to this timing difference.