CUNA CARIBBEAN INSURANCE JAMAICA LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2015

KPMG
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Members of
CUNA CARIBBEAN INSURANCE JAMAICA LIMITED

Report on the financial statements

We have audited the financial statements of CUNA Caribbean Insurance Jamaica Limited ("the company"), set out on pages 3 to 20, which comprise the statement of financial position as at December 31, 2015, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

To the Members of
CUNA CARIBBEAN INSURANCE JAMAICA LIMITED

Report on the Financial Statements, continued

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of CUNA Caribbean Insurance Jamaica 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 and the Jamaican Companies Act.

Report on additional matters as required by The Jamaican Companies Act

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

KPMG

Chartered Accountants
Kingston, Jamaica

March 18, 2016

CUNA CARIBBEAN INSURANCE JAMAICA LIMITED

Statement of Financial Position
December 31, 2015
(Stated in Jamaica Dollars)

	Notes	2015	2014
ASSETS			
Intangible assets	3(l)	149,181,256	-
Tax recoverable		332,877	-
Interest receivable		666,908	-
Investment	4	90,998,630	-
Cash and cash equivalents	5	428,385,997	167,194,749
Total assets		$669,565,668	167,194,749
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Accounts payable	6	10,094,314	800,000
Due to ultimate parent company	7(b)	52,390,227	-
Due to fellow subsidiary	7(b)	9,439,178	1,471,101
Total liabilities		71,923,719	2,271,101
Equity			
Share capital	8	167,294,598	167,294,598
Contributed capital	8	494,442,850	-
Accumulated deficit		(64,095,499)	(2,370,950)
Total equity		597,641,949	164,923,648
Total liabilities and equity		$669,565,668	167,194,749

The financial statements on pages 3 to 20 were approved by the Board of Directors on March 18, 2016 and signed on its behalf by:

Director

Director

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

CUNA CARIBBEAN INSURANCE JAMAICA LIMITED

Statement of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2015
(Stated in Jamaica Dollars)
(With comparative figures for the 7 months ended December 31, 2014)

	Notes	2015	2014
Revenue			
Investment income		1,998,415	-
Administrative expenses:			
Audit fees		1,200,000	800,000
Bank charges		21,106	99,849
Consultancy fees		1,190,042	1,471,101
Project soca	3(l)/7(c)	45,844,785	-
Professional fees		178,000	-
Advertising and sales incentive expense		4,026,754	-
Promotion and public relations		2,751,882	-
GCT expenses		7,528,448	-
Asset tax		171,947	-
License fees		750,000	-
Total administrative expenses		63,662,964	2,370,950
Loss before taxation	9	(61,664,549)	(2,370,950)
Taxation	10	(60,000)	-
Loss, being total comprehensive loss for the year/period		$(61,724,549)	(2,370,950)

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

CUNA CARIBBEAN INSURANCE JAMAICA LIMITED

Statement of Changes in Equity
Year ended December 31, 2015
(Stated in Jamaica Dollars)
(With comparative figures for the 7 months ended December 31, 2014)

	Share capital (note 8)	Accumulated deficit	Contributed capital (note 8)	Total
Transaction with owners, recorded directly in equity: Issue of share	167,294,598	-	-	167,294,598
Loss, being total comprehensive loss for the period	-	(2,370,950)	-	(2,370,950)
Balances at December 31, 2014	167,294,598	(2,370,950)	-	164,923,648
Transaction with owners, recorded directly in equity: Contribution	-	-	494,442,850	494,442,850
Loss, being total comprehensive loss for the year	-	(61,724,549)	-	(61,724,549)
Balances at December 31, 2015	$167,294,598	(64,095,499)	494,442,850	597,641,949

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

CUNA CARIBBEAN INSURANCE JAMAICA LIMITED

Statement of Cash Flows
Year ended December 31, 2015
(Stated in Jamaica Dollars)
(With comparative figures for the 7 months ended December 31, 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year/period	(61,724,549)	(2,370,950)
Adjustments to reconcile loss for the year/period to net cash provided by operating activities:		
Taxation	60,000	-
Investment income	(1,998,415)	-
	(63,662,964)	(2,370,950)
Change in operating liabilities:		
Accounts payable	9,294,314	800,000
Due to ultimate parent company	52,390,227	-
Due to fellow subsidiary	7,968,077	1,471,101
	5,989,654	(99,849)
Tax paid	(60,000)	-
Withholding tax	(332,877)	-
Investment income received	1,331,507	-
Net cash provided/(used) by operating activities	6,928,284	(99,849)
NET CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to intangible asset	(149,181,256)	-
Investment	(90,998,630)	-
Net cash used by investing activities	(240,179,886)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of shares	-	167,294,598
Capital contribution	494,442,850	-
Net cash provided by financing activities	494,442,850	167,294,598
Net increase in cash and cash equivalents, being Cash and cash equivalents for the year/period	261,191,248	167,194,749
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR/PERIOD	167,194,749	-
CASH AND CASH EQUIVALENTS, END OF YEAR/PERIOD	$428,385,997	167,194,749

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

1. The company

The company was incorporated in Jamaica on June 11, 2013 and is a wholly-owned subsidiary of CUNA Caribbean Holdings St. Lucia Limited, which is incorporated in St. Lucia, under the International Business Corporation Act of 1999. The ultimate parent company is CUNA Mutual Holding Company which is incorporated in the United States of America. The company is domiciled in Jamaica and its registered office is located at 2A Manhattan Road, Kingston 5.

On May 15, 2014, the company obtained a licence from the Financial Services Commission (FSC) to conduct ordinary life insurance business. The company received approval from the FSC for Scheme of Transfer and Sale of Insurance Business Agreement of the Jamaican branch of its ultimate parent company (CMFG Life Insurance Company) effective June 25, 2015. The company obtained approval from the Ministry of Finance and Planning for the Vesting Order under the Insurance Act – Sale and Transfer of Insurance Business from the Jamaica branch of its ultimate parent company to the company effective January 1, 2016. The transfer was effected January 1, 2016 (See note 13).

2. Statement of compliance and basis of preparation

(a) Statement of compliance:

The financial statements as at and for the year ended December 31, 2015 (the reporting date) are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board (IASB), and comply with the provisions of the Jamaican Companies Act.

(b) Basis of preparation:

The financial statements are prepared on the historical cost basis.

(c) Functional and presentation currency:

The financial statements are presented in Jamaica dollars, which is the company's functional currency.

(d) Use of estimates and judgement:

The preparation of the financial statements in conformity with IFRS requires management to make estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts could differ from those estimates. Management is also required to make critical judgements in applying accounting policies.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

2. Statement of compliance and basis of preparation (continued)

(d) Use of estimates and judgement (continued):

There was no key source of estimation uncertainty and critical judgements in used in applying accounting policies that would have a significant effect on amounts recognised in the financial statements, or which have a risk of material adjustment in the next year.

(e) New, revised and amended standards and interpretations that became effective during the year:

Certain new, revised and amended standards and interpretations came into effect during the current financial year. None of these had any effect on the company's financial statements.

(f) New, revised and amended standards and interpretations not yet effective:

Certain new, revised and amended standards and interpretations have been issued which are not yet effective for the current year and which the company has not early-adopted. The company has assessed the relevance of all such new standards, amendments and interpretations with respect to the company's operations and has determined that the following are likely to have an effect on the financial statements.

- IAS 1, *Presentation of Financial Statements*, effective for accounting periods beginning on or after January 1, 2016, has been amended to clarify or state the following:
  - specific single disclosures that are not material do not have to be presented even if they are the minimum requirement of a standard;
  - the order of notes to the financial statements is not prescribed;
  - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material;
  - specific criteria is now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirement for the statement of profit or loss and OCI; and
  - the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

2. Statement of compliance and basis of preparation (continued)

(f) New, revised and amended standards and interpretations not yet effective (cont'd):

- IFRS 9, *Financial Instruments,* which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

- IFRS 15, *Revenue From Contracts With Customers*, effective for accounting periods beginning on or after January 1, 2018, replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes,* IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services.* It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties.

  The company will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

  There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

2. Statement of compliance and basis of preparation (continued)

(f) New, revised and amended standards and interpretations not yet effective (cont'd):

- Amendments to IAS 16 and IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortisation*, are effective for accounting periods beginning on or after January 1, 2016.

    - The amendment to IAS 16, *Property, Plant and Equipment* explicitly states that revenue-based methods of depreciation cannot be used. This is because such methods reflect factors other than the consumption of economic benefits embodied in the assets.

    - The amendment to IAS 38, *Intangible Assets* introduces a rebuttable presumption that the use of revenue-based amortisation methods is inappropriate for intangible assets.

The company is assessing the impact that these new standards and amendments will have on its future financial statements.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Accounts payable:

Accounts payable are stated at amortised cost.

(b) Cash and cash equivalents:

Cash and cash equivalents comprise bank balances and are carried at cost.

(c) Investments:

Investments with fixed or determinable payments and which are not quoted in an active market are classified as loans and receivables, and are measured at amortised cost less impairment losses.

(d) Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

3. Significant accounting policies (cont'd)

(d) Related party (cont'd):

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity.

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

The company has a related party relationship with its ultimate and intermediate holding companies, the directors of the company and those of its holding companies, its key management personnel, companies with common directors and pension plans established for the benefit of its employees. "Key management personnel" represents certain senior officers of the company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

3. Significant accounting policies (continued)

(e) Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include cash and cash equivalents, and investment. Financial liabilities include accounts payable, due to ultimate parent company and due to fellow subsidiary.

(f) Revenue recognition:

Interest income

Interest income is recognised in profit or loss for all interest-earning instruments on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount of the financial asset. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently. Interest income includes coupons earned on fixed income investments, accretion of discount on treasury bills and other discounted instruments, and amortisation of premium on instruments bought at a premium.

(g) Accounts receivable:

Accounts receivable are stated at cost less impairment losses.

(h) Provisions:

A provision is recognised in the statement of financial position when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reasonably determined. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligations.

(i) Foreign currency:

Transactions in foreign currencies are translated to the functional currency of the company at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rates ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities that are denominated in foreign currencies and are carried at fair value are translated to the functional currency at the foreign exchange rates ruling at the dates that the fair values were determined. Foreign currency differences arising on translation are recognised in profit or loss.

3. Significant accounting policies (continued)

(j) Taxation:

(i) Income tax:

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current income tax is the expected tax payable on the income for the year, using tax rates enacted at the financial year end, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax:

Deferred income tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be realised. 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 realised.

(k) Impairment:

The carrying amounts of the company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and the loss event has an impact on the future cash flows of the asset that can be estimated reliably. If any such indication exists, the asset's recoverable amount is estimated at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

(l) Intangible assets:

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred (project soca). Costs that are directly associated with acquiring identifiable and unique software products which are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Subsequent to initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

At the reporting date, intangible assets were not in use.

4. Investment

Investment classified as loan and receivable is comprised of short-term deposits. The estimated fair value of investment is assumed to approximate its carrying value to its short-term nature.

5. Cash and cash equivalents

	2015 $	2014 $
Cash and bank balances	428,385,997	167,194,749

Cash and bank balances include $150,000,000 (2014: $150,000,000) held to the order of the Financial Services Commission (FSC) as required by the Insurance Act 2001.

6. Accounts payable

	2015 $	2014 $
Other payables	8,894,314	-
Accrued charges	1,200,000	800,000
	10,094,314	800,000

7. Related party balances and transactions

(a) Identity of related parties:

The company has a related party relationship with its parent company, fellow subsidiaries, directors, associated companies and key management personnel.

(b) The statement of financial position includes balances arising in the ordinary course of business with related its ultimate parent company and a related company as follows:

	2015 $	2014 $
Due to ultimate parent company		
CMFG Life Insurance Company	52,390,227	-
Due to fellow subsidiary:		
CUNA Caribbean Insurance Society Limited	9,439,178	1,471,101

The amounts payable to CMFG Life Insurance Company and CUNA Caribbean Insurance Society Limited are interest-free, unsecured and are repayable within three months.

7. Related party balances and transactions (cont'd)

(c) The statement of profit or loss and other comprehensive income includes the following expenses incurred in, transactions with related parties in the ordinary course of business:

	2015 $	2014 $
Transactions		
Ultimate parent company		
Project Soca	45,844,785	-
Acquisition of intangible assets	149,181,256	-
Related company		
Consultancy fees	1,190,042	1,471,101

(d) Transactions with key management personnel

	2015 $	2014 $
Transactions with key management personnel	Nil	Nil

8. Share capital

	2015 $	2014 $
Authorised:		
The company has no limit on the number of shares that it is authorised to issue.		
Issued and fully paid:		
10,000 ordinary share at no par value		
In issue at 1 January	167,294,598	-
Additions	-	167,294,598
	167,294,598	167,294,598

During the year, the parent paid $494,442,850 into the company, which was recorded as capital contribution.

9. Disclosure of expenses/(income)

Loss before taxation is stated after charging:

	2015 $	2014 $
Auditors' remuneration – current year	1,200,000	800,000
Directors' remuneration	Nil	Nil

10. Taxation

(a) Taxation is based on the loss for the year adjusted for tax purposes and is made up as follows:

	2015	2014
	$	$
Current tax expense:		
Income tax	60,000	-

(b) Reconciliation of effective tax rate:

	2015	2014
	$	$
Loss before taxation	(61,664,549)	(2,370,950)
Computed "expected" tax credit	(20,554,850)	(790,317)
Tax effect of differences between loss for financial statements and tax reporting purposes on:		
Capital allowances	(683,376)	-
Disallowed expenses and other capital adjustments	1,002,992	790,317
Deferred tax on losses not recognised	20,235,234	-
	-	-
Minimum business tax	60,000	-
Actual taxation charge	60,000	-

(c) At the reporting date, tax losses subject to agreement by the Commissioner, Taxpayer Audit and Assessment Department, available for relief against future taxable profits amounted to approximately $59,732,506 (2014: $Nil).

(d) A deferred tax asset $20,235,234 (2014: $Nil) has not been recognised by the company as management does not believe that the asset will be realised in the foreseeable future.

11. Financial instruments risk management

The company has exposure to the following financial risks from its use of financial instruments and its insurance contracts:

- Credit risk
- Liquidity risk
- Market risk

11. Financial instruments risk management (continued)

(a) Risk management framework:

The company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk including interest rate risk and foreign currency risk. Information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk is detailed below.

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. They are responsible for developing and monitoring the company's risk management policies in the specified areas.

The Board of Directors has the responsibility for managing liquidity and market risks on an ongoing basis.

The risk management policies are established and implemented by the company to identify and analyse the risks faced by the company, to set appropriate controls, and to monitor adherence to standards set. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees of the company understand their roles and obligations.

Derivative financial instruments are not presently used to reduce exposure to fluctuations in interest and foreign exchange rates.

(b) Credit risk:

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises from investing activities and deposits with other institutions. Balances arising from these activities include investments and cash and cash equivalents.

Credit risk exposure is the amount of loss that the company would suffer if all counterparties to which the company was exposed were to default at once.

Management of credit risk:

The company manages its credit risk in respect of investments and cash and bank balances by placing the funds with reputable financial institutions and observes the concentration limits as prescribed by the Insurance Regulations, 2001.

At the reporting date the maximum exposure is represented by the carrying amount of investments and cash and cash equivalents as shown on the statement of financial position.

11. Financial instruments risk management (continued)

(c) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed facilities. Liabilities are due within twelve months of the reporting date.

The company manages this risk by close monitoring of its cash resources and working capital.

Assets available to meet liabilities include bank balances and short-term deposits.

The carrying amount of the contractual maturities of accounts payable, due to ultimate parent company and due to fellow subsidiary at reporting date approximates the contractual cash flow expected, and are due within there months from the reporting date.

There has been no change to the company's exposure to liquidity risk or the manner in which it manages and measures the risk during the year.

(d) Market risk:

Market risk is the risk that the value or cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

These arise mainly from changes in interest rate and foreign exchange rate and will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Foreign currency risk:

Foreign currency risk is the risk that the market value of, or cash flows from, financial instruments will fluctuate because of changes in foreign exchange rates.

The company incurs foreign currency risk on transactions that are denominated in currencies other than the Jamaica dollar. The currency giving rise to this risk is primarily the United States dollar, however, there are other transactions denominated in Trinidad and Tobago dollar. At the reporting date, the net foreign currency liabilities was as follows:

	2015	2014
United States dollars	US$(438,650)	-
Trinidad and Tobago dollars	TT$(534,903)	-

11. Financial instruments risk management (continued)

(d) Market risk (cont'd):

(i) Foreign currency risk (cont'd):

The exchange rates for the Jamaica dollar, in terms of the US$ and TT$, as at December 31, 2015, were J$120.415= US$1.00 (2014: J$114.12 = US$1.00) and J$18.738 = TT$1.00 (2014: J$17.881= TT$1.00).

Sensitivity analysis

A movement of the J$ against the US$ would not impact the company's profit or loss as the revaluation would be capitalized as intangible assets.

Movement of J$ against TT$	Increase/(decrease) in loss before taxation	
	2015	2014
	$	$
8% (2014: 10%) weakening	801,826	-
1% (2014: 1%) strengthening	(100,228)	-

(ii) Interest rate risk:

Interest rate risk is the risk that the value or cash flowof a financial instrument will fluctuate due to changes in market interest rates. The company manages this risk by monitoring interest rates daily. Even though there are no formally predetermined gap limits, to the extent judged appropriate, the maturity profile of the financial assets is matched with that of the financial liabilities. Where gaps occur, management expects that its monitoring will, on a timely basis, identify the need to take quick action to close the gap, if it becomes necessary.

The company is exposed to interest rate risk. Investments totalling $90,998,630 (2014: $Nil) have a fixed rate of interest. There are no interest-bearing financial liabilities.

Fair value sensitivity analysis for fixed rate instruments

The company does not carry any financial instrument at fair value, therefore a change in interest rate would not affect the carrying value of the company's financial instruments.

Cash flow sensitivity analysis for variable rate instruments

At the reporting date, the company is not subject to cash flow sensitivity as it had no variable rate financial instruments.

11. Financial instruments risk management (continued)

(e) Capital management:

The company's objectives when managing capital are:

(i) To comply with capital requirements set by the regulators of the insurance industry within which the company operates;

(ii) To safeguard the company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits to other stakeholders; and

(iii) To maintain a strong capital base to support the development of its business.

The company's main regulator is the Financial Services Commission (FSC) which monitors the capital requirements for the company. In implementing current capital requirements, the FSC requires the company to maintain a minimum capital requirement of $150,000,000. The company is in compliance with externally imposed capital requirements.

12. Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument.

Basis for determining fair values

The fair value of financial instruments such as short term short-term deposits, bank balances, accounts payable, due to ultimate parent and due to fellow subsidiary are assumed to approximate carrying value due to their short-term nature. In such instances, no fair value computation and disclosures are done.

13. Subsequent event

The company obtained an approval from the Ministry of Finance and Planning to transfer the insurance business previously conducted under the branch of the ultimate parent company to the company with effect from January 1, 2016. As at January 1, 2016, the net assets transferred totaled approximately $541,216,983.