

**LAURENTIDE INSURANCE AND MORTGAGE COMPANY
LIMITED 2014 AUDITED FINANCIAL STATEMENTS**



Deloitte & Touche
Chartered Accountants
and Management Consultants
2nd Terrace, Centreville
P.O. Box N-7120
Nassau, Bahamas

Tel: + 1 (242) 302-4800
Fax: +1 (242) 322-3101
<http://www.deloitte.com>

INDEPENDENT AUDITORS' REPORT

To the Shareholder of
Laurentide Insurance and Mortgage Company Limited:

We have audited the financial statements of Laurentide Insurance and Mortgage Company Limited which comprise the statement of financial position as at December 31, 2014, and the related statements of profit or loss and comprehensive income, changes in equity, cash flows and life assurance fund 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these 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 about whether the financial statements are free of material misstatement.

An audit involves procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 significant 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.

INDEPENDENT AUDITORS' REPORT (continued)

In our opinion, the financial statements present fairly, in all material respects the financial position of Laurentide Insurance and Mortgage Company Limited as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

March 6, 2015
2nd Terrace West, Centreville
Nassau, Bahamas

Certification of Actuary

This Certificate is prepared in accordance with the provisions of the Insurance Act, 2005 in respect of the life and health insurance business of Laurentide Insurance and Mortgage Company Limited, a wholly-owned subsidiary of Commonwealth Bank Limited.

I have examined the financial position, and valued the policy liabilities for its balance sheet as at December 31, 2014, and the corresponding change in the policy liabilities in the income statement for the year then ended.

In my opinion:

1. The methods and procedures used in the verification of the valuation data are sufficient and reliable, and fulfill the required standards of care.
2. The methods and assumptions used to calculate the actuarial and the other policy liabilities are appropriate to the circumstances of the company and of the said policies and claims.
3. The valuation of actuarial and other policy liabilities has been made in accordance with generally accepted actuarial practice (with such changes as determined and any directions made by the Commission).
4. The valuation is appropriate under the circumstances of the company and the financial statements fairly reflect its results.
5. Having regard for the results of the investigation performed pursuant to section 62 of the Insurance Act, 2005 the value of actuarial and other policy liabilities, when taken together with the total capital available makes good and sufficient provisions for all unmatured obligations under the terms of the policies in force.



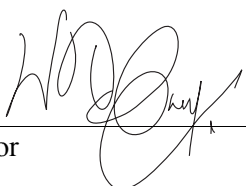
Leslie P. Rehbeli
Fellow of the Society of Actuaries
Fellow of the Canadian Institute of Actuaries
Member of American Academy of Actuaries
January 31, 2015

LAURENTIDE INSURANCE AND MORTGAGE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014
(Expressed in Bahamian dollars)

		(Restated)	(Restated)
ASSETS			
Deposit - Parent (Notes 6 and 9)	\$ 3,186,486	\$ 1,147,064	\$ 1,077,174
Investments (Notes 6 and 7)	40,055,034	40,049,646	40,055,034
Due from Parent (Notes 6 and 9)	3,456,118	2,927,625	1,570,240
Other assets	<u>2,083</u>	<u>3,083</u>	<u>3,083</u>
TOTAL	<u>\$ 46,699,721</u>	<u>\$ 44,127,418</u>	<u>\$ 42,705,531</u>
LIABILITIES AND EQUITY			
LIABILITIES:			
Life assurance fund liability (Notes 6 and 8)	\$ 12,408,561	\$ 11,741,647	\$ 11,252,935
Other liabilities	<u>192,305</u>	<u>139,127</u>	<u>124,627</u>
Total liabilities	<u>12,600,866</u>	<u>11,880,774</u>	<u>11,377,562</u>
EQUITY:			
Share capital			
Authorized, issued and fully paid:			
105,000 shares at \$2.86	300,300	300,300	300,300
Contributed surplus	2,750,000	2,750,000	2,750,000
Retained earnings	<u>31,048,555</u>	<u>29,196,344</u>	<u>28,277,669</u>
Total equity	<u>34,098,855</u>	<u>32,246,644</u>	<u>31,327,969</u>
TOTAL	<u>46,699,721</u>	<u>44,127,418</u>	<u>42,705,531</u>

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

These financial statements were approved by the Board of Directors on February 11, 2015 and are signed on its behalf by:



Director



Director

LAURENTIDE INSURANCE AND MORTGAGE COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014
(Expressed in Bahamian dollars)

	2014	2013 (Restated)
INCOME:		
Gross premium	\$ 16,413,203	\$ 12,743,707
Refunds	(7,613,338)	(6,155,425)
Commissions (Note 9)	(1,641,320)	(1,274,371)
Tax on premiums	<u>(492,396)</u>	<u>(382,311)</u>
Net premium	6,666,149	4,931,600
Interest income - government stock (Note 6)	1,939,571	1,938,889
Interest income - Parent (Notes 6 and 9)	<u>306,527</u>	<u>202,628</u>
Total income	<u>8,912,247</u>	<u>7,073,117</u>
EXPENSES:		
Claims	1,410,492	1,347,755
Change in Life assurance fund liability (Note 8)	666,914	488,712
General and administrative		
Fees - Parent (Note 9)	300,000	300,000
Other	<u>62,630</u>	<u>80,475</u>
Total expenses	<u>2,440,036</u>	<u>2,216,942</u>
TOTAL PROFIT AND OTHER COMPREHENSIVE INCOME	<u>\$ 6,472,211</u>	<u>\$ 4,856,175</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	<u>105,000</u>	<u>105,000</u>

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

LAURENTIDE INSURANCE AND MORTGAGE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2014
(Expressed in Bahamian dollars)

	<u>Share Capital</u>	<u>Contributed Surplus</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance as at January 1, 2013, as originally presented	\$ 300,300	\$ 2,750,000	\$ 24,460,804	\$ 27,511,104
Adjustment for life assurance fund liability (Note 2)	-	-	<u>3,816,865</u>	<u>3,816,865</u>
Balance as at January 1, 2013, as restated	300,300	2,750,000	28,277,669	31,327,969
Total profit and other comprehensive income	-	-	4,856,175	4,856,175
Dividends (\$37.50 per share)	-	-	<u>(3,937,500)</u>	<u>(3,937,500)</u>
Balance as at December 31, 2013	300,300	2,750,000	29,196,344	32,246,644
Total profit and other comprehensive income	-	-	6,472,211	6,472,211
Dividends (\$44.00 per share)	-	-	<u>(4,620,000)</u>	<u>(4,620,000)</u>
Balance as at December 31, 2014	<u>\$ 300,300</u>	<u>\$ 2,750,000</u>	<u>\$ 31,048,555</u>	<u>\$ 34,098,855</u>

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

LAURENTIDE INSURANCE AND MORTGAGE COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Expressed in Bahamian dollars)

	2014	2013 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Total profit from operating activities	\$ 4,226,113	\$ 2,714,658
Decrease in other assets	1,000	-
Decrease in life assurance fund liability	666,914	488,712
Increase in other liabilities	<u>53,178</u>	<u>14,500</u>
Net cash from operating activities	<u>4,947,205</u>	<u>3,217,870</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received from government stock	1,934,183	1,944,277
Increase in due from Parent	(528,493)	(1,357,385)
Interest received from Parent	<u>306,527</u>	<u>202,628</u>
Net cash from investing activities	<u>1,712,217</u>	<u>789,520</u>
CASH FLOWS FROM FINANCING ACTIVITY:		
Dividends paid	<u>(4,620,000)</u>	<u>(3,937,500)</u>
NET INCREASE IN DEPOSIT - PARENT	2,039,422	69,890
DEPOSIT - PARENT, BEGINNING OF YEAR	<u>1,147,064</u>	<u>1,077,174</u>
DEPOSIT - PARENT, END OF YEAR	<u>\$ 3,186,486</u>	<u>\$ 1,147,064</u>

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

LAURENTIDE INSURANCE AND MORTGAGE COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

(Expressed in Bahamian dollars)

1. INCORPORATION AND ACTIVITY

Laurentide Insurance and Mortgage Company Limited (“the Company”), is a wholly-owned subsidiary of Commonwealth Company Limited (the “Parent”).

The Company is incorporated under the laws of the Commonwealth of The Bahamas and is a Registered Life Assurance Company. The principal business of the Company is to provide credit life assurance in respect of borrowers from its Parent.

The registered office is located at GTC Corporate Services Limited, P.O. Box SS-5383, Nassau, The Bahamas.

2. CHANGE IN ACCOUNTING POLICY

During the year, the Company amended its policy on the valuation of its life assurance fund liability. Under the new policy, the Company estimates its life assurance fund liability based on the valuation provided by its independent actuary, including claims incurred but not reported (“IBNR”). In the prior year, the Company’s policy was to estimate the life assurance fund liability as the greater of a) the sum of the actuarial reserve plus IBNR, and b) the total unearned premium based on the rule of 78 over the term of each policy. The new method is deemed to be more accurate as it estimates the impact of mortality, morbidity and policy lapse rates.

The 2014 financial statements reflect the changes due to the new policy. In 2014, the Company renamed its Life assurance fund to life assurance fund liability.

The impact of the change in accounting policy on the current and prior periods is as follows:

	2014	2013
Financial Statements impact		
Decrease in Life assurance fund liability	\$ 3,809,637	\$ 2,893,483
Increase in opening retained earnings balance	\$ 2,893,483	\$ 3,816,865
Decrease in total income	\$ 550,648	\$ 2,091,353
Decrease in total expenses	\$ 1,466,802	\$ 1,167,970
Earnings per share impact		
Increase (decrease) in EPS	\$ 8.73	\$ (8.79)

The cumulative impact of the change in accounting policy on periods prior to those presented is an increase in retained earnings of \$4.2 million.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on January 1, 2014.

New and Amendments to Standards

IFRS 10, 12 and IAS 27	Investment Entities
IAS 32	Offsetting Financial Assets and Financial Liabilities
IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

At the date of authorization of these Consolidated Financial Statements, the following relevant standards and interpretations were in issue but not yet effective:

New Standards

IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers

Amendments to Standards

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions

Annual Improvements to IFRS 2010 to 2012 Cycle

IFRS 2	Share-based Payment
IFRS 3	Business Combinations
IFRS 8	Operating Segments
IFRS 13	Fair Value Measurement
IAS 16	Property, Plant and Equipment

IAS 38	Intangible Assets
IAS 24	Related Party Disclosures

Annual Improvements to IFRS 2011 to 2013 Cycle

IFRS 3	Business Combinations
IFRS 13	Fair Value Measurement
IAS 40	Investment Property

The Directors anticipate that the adoption of these standards will have no material impact on the Company's financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance - These financial statements have been prepared in accordance with International Financial Reporting Standards.

Basis of preparation - These financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments. The principal policies are set out below:

- a. **Recognition of income**
 - i. **Interest revenue** is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.
 - ii. **Premium income** is recognized at the time a policy becomes in force. Each policy is paid in full for the term of contract. The maximum term of any contract is 72 months.
 - iii. **Refunds** on unexpired insurance contracts are allowed on early withdrawal using the "Rule of 78" method.
- b. **Death claims** - Death claims are charged to income after the claims are verified by the Company. Claims that are incurred but not yet reported are included in the life assurance fund liability and charged to income on the reporting date.
- c. **Related parties** - Related parties include:
 - i. Key Management Personnel, close family members of Key Management Personnel, and entities which are controlled individually and/or jointly, or significantly influenced, or for which significant voting power is held, by Key Management Personnel or their close family members; or
 - ii. Non Key Management Personnel who have significant influence over the Company or its Parent and their close family members. Non Key Management Personnel who control in excess of 5% of the outstanding common shares of the Company or its Parent are considered to have significant influence over the Company.

Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company or its Parent, being the Officers and Directors of both companies.

Close family members include the spouse of Key and Non Key Management Personnel and the children and dependents of Key and Non Key Management personnel or their spouse.

- d. **Financial assets** - Financial assets are:
- i. Cash;
 - ii. An equity instrument of another entity;
 - iii. A contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions favourable to the Company;
 - iv. A contract that will or may be settled in the Company's own equity instrument and is either a non derivative for which the Company is or may be obliged to receive a variable number of the Company's own equity instruments, or a derivative that will or may be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments.

Financial assets are classified into the following categories: 'Fair Value Through Profit or Loss' (FVTPL), 'Held-To-Maturity', 'Available-For-Sale' (AFS) and 'Loans and Receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets are classified as at FVTPL where the financial asset is either held for trading or is designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any resulting gain or loss recognized in profit or loss.

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

AFS financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as a) FVTPL, b) held-to-maturity or c) loans and receivables. AFS assets are stated at fair value, except for investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost.

- e. **Financial liabilities** - Financial liabilities are any liabilities that are:
- i. Contractual obligations to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company;
 - ii. A contract that will or may be settled in the Company's own equity instruments and is either a non-derivative for which the Company is or may be obliged to deliver a variable number of its own equity instruments, or a derivative that will or may be settled either than by exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments.

Financial liabilities are classified as either financial liabilities as at FVTPL or other financial liabilities.

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value with any resulting gain or loss recognized in profit or loss.

Other financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method with interest expense recognized on an effective yield basis.

The Company considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

- f. **Fair value of financial instruments** - Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction. The best evidence of fair value is quoted price in an active market. In most cases, however, the financial instruments are not typically exchangeable or exchanged and therefore it is difficult to determine their fair value. In these cases, the Company considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

IFRS 7 requires that the classification of financial instruments at fair value be determined by reference to the source of inputs used to derive the fair value. This classification uses the following three- level hierarchy:

- Level 1 Quoted Prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from the prices).
- Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Since the calculation of fair value is based on management's estimates, which involve uncertainties, the actual fair value realised in a sale or immediate settlement of the instruments may differ from the estimated amount. The use of the above hierarchy acts as an indicator of the potential variance of the actual amount realized to the estimated amount in each group of financial instruments.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 3, management is required to make judgments estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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.

The following are the judgments and estimates that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Life assurance fund liability - The Company calculates its liabilities for individual life insurance policies using the Canadian Policy Premium Method ("PPM"). The calculation of these policy reserves is based on assumptions as to future rates for mortality and morbidity, investment yields, policy lapse and expenses, which contain margins for adverse deviations.

6. FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial assets and financial liabilities as defined by IAS 39 Financial Instruments: Recognition and Measurement:

	2014			
	Held-To- Maturity	Available- For-Sale	Amortised Cost	Total
FINANCIAL ASSETS				
Deposit - Parent (Note 9)	\$ -	\$ -	\$ 3,186,486	\$ 3,186,486
Investments (Note 7)	\$ 40,055,034	\$ -	\$ -	\$ 40,055,034
Due from Parent (Note 9)	\$ -	\$ -	\$ 3,456,118	\$ 3,456,118
FINANCIAL LIABILITIES				
Life assurance fund liability (Note 8)	\$ -	\$ -	\$ 12,408,561	\$ 12,408,561
	2013			
	Held-To- Maturity	Available- For-Sale	Amortised Cost	Total
FINANCIAL ASSETS				
Deposit - Parent (Note 9)	\$ -	\$ -	\$ 1,147,064	\$ 1,147,064
Investments (Note 7)	\$ 40,049,646	\$ -	\$ -	\$ 40,049,646
Due from Parent (Note 9)	\$ -	\$ -	\$ 2,927,625	\$ 2,927,625
FINANCIAL LIABILITIES				
Life assurance fund liability (Note 8)	\$ -	\$ -	\$ 11,741,647	\$ 11,741,647

At December 31, 2014 there were no assets classified as loans and receivables nor any assets or liabilities that were classified at FVTPL (2013: \$0).

The following table shows income statement information on financial instruments:

	2014	2013
Income		
Amortised cost	\$ 306,527	\$ 202,628
Held-to-Maturity	1,939,571	1,938,889
	<u>\$ 2,246,098</u>	<u>\$ 2,141,517</u>

7. INVESTMENTS

Investments are as follows:

	Maturity	2014	2013
Bahamas Government Registered Stock			
Prime + 5/32 %	2019	\$ 175,500	\$ 175,500
Prime + 1/24 %	2019	5,000,000	5,000,000
4.125% Fixed	2022	1,500,000	1,500,000
Prime + 1/4 %	2022	85,500	85,500
Prime + 3/16 %	2022	21,400	21,400
Prime + 13/32 %	2022	21,400	21,400
Prime + 7/32 %	2023	537,800	537,800
Prime + 3/8 %	2023	104,200	104,200
Prime + 11/32 %	2023	94,000	94,000
Prime + 9/32 %	2023	72,700	72,700
Prime + 5/16 %	2024	25,700	25,700
Prime + 9/32 %	2025	306,100	306,100
Prime + 5/16 %	2026	1,246,700	1,246,700
Prime + 5/16 %	2027	651,000	651,000
Prime + 9/64 %	2029	27,400	27,400
Prime + 5/32 %	2030	4,497,200	4,497,200
Prime + 11/32 %	2031	673,800	673,800
Prime + 11/64 %	2031	72,600	72,600
Prime + 3/8 %	2032	1,414,600	1,414,600
Prime + 13/32 %	2032	109,300	109,300
Prime + 3/16 %	2032	228,700	228,700
Prime + 1/8 %	2032	505,400	505,400
Prime + 3/32 %	2032	1,349,900	1,349,900
Prime + 13/32 %	2033	1,073,900	1,073,900
Prime + 7/16 %	2033	173,500	173,500
Prime + 13/64 %	2033	700,300	700,300
Prime + 7/32 %	2034	2,289,300	2,289,300
Prime + 7/48 %	2034	9,263,300	9,263,300
Prime + 15/64 %	2035	1,931,000	1,931,000
Prime + 19/32 %	2036	428,700	428,700
Prime + 1/4 %	2036	1,196,300	1,196,300
Prime + 5/8 %	2037	890,900	890,900
Prime + 17/96%	2037	736,700	736,700
		<u>37,404,800</u>	<u>37,404,800</u>

(Continued)

	Maturity	2014	2013
The Mortgage Corporation Bonds			
Prime	2024	500,000	500,000
Prime + 1/4%	2029	500,000	500,000
Prime + 1/2%	2034	<u>1,000,000</u>	<u>1,000,000</u>
		<u>2,000,000</u>	<u>2,000,000</u>
Accrued interest receivable		<u>650,234</u>	<u>644,846</u>
Total investments		<u>\$ 40,055,034</u>	<u>\$ 40,049,646</u>

(Concluded)

Investments include \$2,289,300 in Bahamas Government Registered Stock held in trust by The Insurance Commission of The Bahamas pursuant to Section 43(2) of The Insurance Act 2005 and paragraph 62 of the Insurance (General) Regulations, 2010.

8. LIFE ASSURANCE FUND LIABILITY

An actuarial valuation of the life assurance fund liability was conducted as at December 31, 2014 by Oliver Wyman of Toronto, Canada. The valuation included a provision of \$148,345 (2013: \$673,878) for claims incurred but not yet reported. The Company's experience is that death claims are normally settled within one year of the reporting period.

	2014	2013
Life assurance fund liability, beginning of year	\$ 11,741,647	\$ 11,252,935
Net change during the year	<u>666,914</u>	<u>488,712</u>
Life assurance fund liability, end of year	<u>\$ 12,408,561</u>	<u>\$ 11,741,647</u>

Actuarial Assumption Sensitivities:

The table below provides the impact of a 10% change in assumptions on mortality rates, policy lapse rates, loan interest rates, expenses and inflation

Scenario	Mortality per \$1000	Lapse Rate	Loan Interest Rate	Expense per Policy	Inflation Rate	Initial Interest Rate	Ultimate Interest Rate	Total Reserve (B\$)	B\$ Increase over Base	% Increase over Base
Base 2014	4.5	54%	16.00%	13.61	3.30%	3.90%	3.75%	12,260,217		
Lower Interest Rate	4.5	54%	16.00%	13.61	3.30%	3.51%	3.38%	12,296,730	36,513	0.3%
Mortality = 4.95	5.0	54%	16.00%	13.61	3.30%	3.90%	3.75%	12,454,613	194,397	1.6%
Lapse = 59.40%	4.5	59%	16.00%	13.61	3.30%	3.90%	3.75%	12,642,686	382,470	3.1%
Loan Interest = 17.60%	4.5	54%	17.60%	13.61	3.30%	3.90%	3.75%	12,269,000	8,783	0.1%
Expenses = 14.97	4.5	54%	16.00%	14.97	3.30%	3.90%	3.75%	12,306,733	46,516	0.4%
Inflation = 3.63%	4.5	54%	16.00%	13.61	3.63%	3.90%	3.75%	12,261,700	1,484	0.0%

9. RELATED PARTY TRANSACTIONS AND BALANCES

During the year the Company paid commissions of \$1,641,320 (2013: \$1,274,371) to its sister company for selling credit life assurance on behalf of the Company to borrowers from the Parent.

The deposit with Parent and due from Parent balances earn interest at the Bahamian prime rate 4.75% (2013: 4.75%). The due from Parent balance has no fixed terms of repayment.

The Company pays an annual management fee of \$300,000 (2013: \$300,000) to its Parent for undertaking its administrative activities.

10. RISK MANAGEMENT

Capital risk management - The Company manages its capital to ensure that it exceeds regulatory capital requirements and will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Company's risk management structure promotes making sound business decisions by balancing risk and reward. It promotes revenue generating activities that are consistent with the risk appetite of the Company, the Company's policies and the maximization of shareholders' return.

The capital structure of the Company consists of equity attributable to the common equity holders of the Company, comprising issued capital and retained earnings. The Company's Board reviews the capital structure at least annually. The Company manages its capital structure through the payment of dividends, new share issues and capital contributions.

The Company is licensed to conduct long term insurance business under The Insurance Act 2005 (the "Act").

Under paragraph 60(1)a of The Insurance (General) Regulations, 2010 (the "Regulations") an insurance company is required to have a minimum paid-up and unencumbered share capital of not less than three million dollars. As at December 31, 2014 the Company has \$300,300 (2013: \$300,300) in share capital and \$2,750,000 (2013: \$2,750,000) in contributed surplus. The Company's board passed a resolution on December 6, 2011 making the contributed surplus non-distributable.

The Company is required to establish and maintain a minimum statutory deposit of \$2 million, such deposit to be held in trust pursuant to section 43(2) of the Act and paragraph 62 of the Regulations. The LIM Statutory Reserve Trust was established on December 20, 2011 with assets valued at \$2,289,300 as at December 31, 2014 (2013: \$2,289,300).

The Company is required to maintain a solvency margin pursuant to paragraph 90 of the Regulations. For the purposes of the Regulations, margin of solvency means the excess of the value of its admissible assets over the amount of its liabilities. The required margin of solvency is the greater of (a) twenty per cent of the premium income, including annuity premiums, in its last financial year; or (b) five hundred thousand dollars, plus the minimum amount of capital required. As at December 31, 2014, the minimum margin of solvency was \$6,282,641 (2013: \$5,548,741). The Company's solvency margin at December 31, 2014 was \$27,454,168 (2013: \$28,168,872) resulting in a surplus of \$21,171,528 (2013: \$22,620,131).

Paragraph 68 of the Regulations stipulates that of the value of the admissible assets which the Company must at any time have in order to maintain the minimum margin of solvency required by the Act, at least sixty per cent shall be in the form of qualifying assets. As at December 31, 2014, the Company had \$40,055,034 (2013: \$40,049,646) in qualifying assets and \$40,055,034 (2013: \$40,049,646) in admissible assets as defined under paragraphs 70 and 72 of the Regulations, respectively.

The Company's strategy is unchanged from 2013.

Operational risk - Operational risk is the potential for loss resulting from inadequate or failed internal processes or systems, human error or external events not related to credit, market or liquidity risks. The Company manages this risk by maintaining a comprehensive system of internal control and internal audit, including organizational and procedural controls. The system of internal control includes written communication of the Company's policies and procedures governing corporate conduct and risk management; comprehensive business planning; effective segregation of duties; delegation of authority and personal accountability; careful selection and training of personnel and sound and conservative accounting policies, which are regularly updated. These controls and audits are designed to provide the Company with reasonable assurance that assets are safeguarded against unauthorized use or disposition, liabilities are recognized, and the Company is in compliance with all regulatory requirements.

Liquidity risk - Liquidity risk is the potential for loss if the Company is unable to meet financial commitments in a timely manner at reasonable prices as they fall due. Financial commitments include liabilities to policy holders, suppliers and investment commitments.

The Company manages liquidity and funding risk by ensuring that sufficient liquid assets and funding capacity are available to meet regulatory requirements and financial commitments, even in times of stress. The Board of Directors oversees the Company's liquidity and funding risk management framework.

Interest rate risk - Interest rate risk is the potential for a negative impact on the Statement of Financial Position and/or Statement of Comprehensive Income arising from adverse changes in the value of financial instruments as a result of changes in interest rates.

Interest rate risk or interest rate sensitivity results primarily from differences in the maturities or repricing dates of assets and liabilities. Interest rate risk exposures, or "gaps" may produce favourable or unfavourable effects on interest margins depending on the nature of the gap and the direction of interest rate movement and/or the expected volatility of those interest rates. When assets have a shorter average maturity than liabilities, an increase in interest rates would have a positive impact on net interest margins, and conversely, if more liabilities than assets mature or are repriced in a particular time interval then a negative impact on net interest margin would result. The gap position shows more assets than liabilities repriced in periods equal to or greater than within three months. The following table sets out the Company's interest rate risk exposure as at December 31, 2014, and represents the Company's risk exposure at this point in time only.

Insurance risk - Insurance risk is the risk of loss resulting from the occurrence of an insured event. The Company issues contracts for credit life insurance only on loans written by its Parent. All lives insured are debtors under closed-end consumer credit transactions that arise from direct loans with the Parent. No insurance contract is issued on lives over age 59. The amount of life insurance at risk on any one individual is as follows:

Auto loans – Maximum of \$10,000 or net indebtedness to Parent

All other loans – Maximum of \$20,000 or net indebtedness to Parent

Interest Rate Sensitivity:

If interest rates increase by 50 basis points and all other variables remain constant, the Company's profit over the next 12 months is estimated to increase by \$204 thousand.

If interest rates decrease by 50 basis points and all other variables remain constant, the Company's profit over the next 12 months is estimated to decrease by \$204 thousand.

As of December 31, 2014	Repricing date of interest sensitive instruments					Non interest rate sensitive	Total
	Within 3 Months	3 - 6 months	6-12 months	1 - 5 Years	Over 5 years		
Assets							
Cash equivalents	\$ 3,186,486 4.75%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,186,486 4.75%
Investments	40,055,034 4.84%	-	-	-	-	-	40,055,034 4.84%
Due from Parent	3,456,118 4.75%	-	-	-	-	-	3,456,118 4.75%
Other assets	-	-	-	-	-	2,083	2,083
TOTAL	\$ 46,697,638	\$ -	\$ -	\$ -	\$ -	\$ 2,083	\$ 46,699,721
Liabilities and shareholders' equity							
Unearned life assurance	-	-	-	-	-	12,408,561	12,408,561
Other liabilities	-	-	-	-	-	192,305	192,305
Shareholders' equity	-	-	-	-	-	34,098,855	34,098,855
TOTAL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,699,721	\$ 46,699,721
INTEREST RATE SENSITIVITY GAP	46,697,638	-	-	-	-	(46,697,638)	-
CUMULATIVE INTEREST RATE							
SENSITIVITY GAP	\$ 46,697,638	\$ 46,697,638	\$ 46,697,638	\$ 46,697,638	\$ 46,697,638	\$ -	\$ -
COMPARATIVE 2013	\$ 44,124,335	\$ 44,124,335	\$ 44,124,335	\$ 44,124,335	\$ 44,124,335	\$ -	\$ -
Average Yield - Earning Assets	4.83%	0.00%	0.00%	0.00%	0.00%		4.83%
Average Yield - Paying Liabilities	0.00%	0.00%	0.00%	0.00%	0.00%		0.00%
Average Margin 2014	4.83%	0.00%	0.00%	0.00%	0.00%		4.83%
Average Margin 2013	4.83%	0.00%	0.00%	0.00%	0.00%		4.83%

* * * * *